Folder Title: Records of President Robert S. McNamara President's Council minutes - Minutes 19

Folder ID: 1770832

Dates: 5/1/1979 - 12/31/1979

Fonds: Records of the Office of the President

ISAD Reference Code: WB IBRD/IDA EXC-10-4538S

Digitized: 6/27/2014

President's Council Minutes,
May - Dec. 1979

Folder ~~#~~ 19

822/6/1

OFFICE OF THE PRESIDENT

President's Council Meeting, May 2, 1979

Present: Messrs. McNamara, Cargill, Barletta, van der Tak, Benjenk, Chadenet, Chaufournier, Chenery, Clark, Damry, Gabriel, Picciotto, Kirmani, Nurick, Paijmans, McClure, Rotberg, Wapenhans, Weiner, Kearns

Vice President Finance

Mr. McNamara announced that he had informed the Executive Directors that Mr. Cargill would, as of July 1, 1979, relinquish his duties as Vice President Finance but continue in his capacity as Senior Vice President and chief IDA negotiator until reaching retirement age in 1980. As of July 1, Mr. Qureshi would be appointed Vice President Finance and would, for the foreseeable future, also continue as Executive Vice President of IFC. He alerted PC members to the fact that this decision was not final because the Directors had five days in which to react to the announcement. He urged that the matter not be discussed outside the room.

Board Meeting on Compensation

Mr. McNamara reported that the Fund had met all day Monday and yesterday until 11:00 p.m. on the proposed compensation package. There was serious disagreement on specific details, putting into question the basic package. Most of the disagreement was over the proposed Gutowski formula and home leave allowance. The Bank's strategy had been different, namely not to present a Gutowski paper at this point in time and not to propose a home leave allowance, but rather to focus on the essential components of the Kafka package and to deal with the issues of social security, pension plan, Gutowski formula, and implementation of the new tax reimbursement formula later.

In view of the fact that the Fund discussion would be continued on Thursday, one of the Bank Directors had requested postponement of the Bank's Board meeting on the subject. If the Fund reached no agreement on Thursday, an informal meeting of Bank Directors would be held on Friday morning. If the Fund did reach agreement, the regular Board meeting on compensation should be rescheduled for Friday. The high-running emotions made it extremely difficult for the two Boards, two managements and two Staff Associations to work towards a solution. A cooling-off period might be helpful at this stage but it had to be assured that such a period was used productively. The institutions needed a "superbody" to deal with the situation.

Mr. Chadenet commented that emotions were high but issues were small. He advocated a cooling-off period. Mr. Cargill said that substantial legwork needed to be done during such a period. Mr. Chadenet quoted Talleyrand by saying that neither haste nor zeal were now required.

In response to a question by Mr. Gabriel on the March 1 adjustment, Mr. McNamara said that the Board would at this point only be asked to agree on the procedure to follow. The Hewitt data had not yet been analyzed; the budget assumption as to the size of the March 1 adjustment should not be changed.

CKW
May 4, 1979

822/6/2

OFFICE OF THE PRESIDENT

President's Council Meeting, May 21, 1979

Present: Messrs. McNamara, Cargill, van der Meer, Baum, Bart, Chadenet, Chaufournier, Chenery, Damry, Gabriel, Wiehen, Kirmani, Nurick, Paijmans, Qureshi, Rotberg, Stern, Gue, Weiner, Kearns, Weiss, Mrs. Boskey, Miss Fonaroff

Tropical Disease Research Program

In his introductory statement, Mr. Baum referred to Mr. Weiss' background paper and stressed that donors felt strongly that a financial contribution by the Bank would be important in demonstrating confidence in the program.

Mr. Chaufournier enquired about priorities to be defined as to Bank contribution to different programs of this kind. Mr. Paijmans pointed to the manpower implications and enquired about the ceiling for such Bank activities. Mr. Qureshi agreed with the argumentation of Mr. Weiss' paper, namely, that a Bank contribution to such programs was desirable if these activities showed a high payoff to LDCs and required an external financial effort; however, the papers on the TDR did not convince him that this program met those criteria.

In response to questions, Mr. Baum said that he was not sure why the other donors wanted the Bank to participate financially. They probably wanted the Bank's good housekeeping seal and were not satisfied with the present quality of the program. He warned that the Bank's participation in the TDR would have some manpower implications.

Mr. Gue asked whether this was a case of last resort as to the Bank's financial contribution. Mr. Cargill denied that. What triggered the others' contribution was the Bank's managerial capability rather than its financial support.

Mr. Gabriel found the criteria presented by Mr. Weiss' paper very broad. Management should have a list of financial involvements in such programs and rank them according to their priority.

Mrs. Boskey argued that other donors would reduce their financial support to the TDR if the Bank did not come in. Mr. McNamara replied that the Bank had not asked for the management task in the first place. Participation in the TDR had not been negotiated properly. The other donor governments should be told that the Bank had not asked for its present role and was prepared to give it up. The Bank had traditionally not been a financial co-sponsor of such programs; these decision had always been taken on an exception basis. When an involvement had been accepted, it had always been stated that there was no financial obligation; this had also been done in the case of the TDR.

Mr. Stern argued that the criteria in Mr. Weiss' paper were still very broad but that this was the way to start. Involvement in the TDR clearly had personnel implications and resulted in substantial cost to the institution. Bank contributions to such programs should not be based on an ad-hoc approach but should be addressed more systematically in the future. Clear guidelines were lacking.

Mr. Baum said that putting $1 million into the TDR would not make it impossible to say "no" to other proposals. In fact the Bank did that all the time.

Mr. Chenery suggested mapping out the terrain and first discussing the Weiss paper in order to arrive at a ranking of priorities.

Mr. McNamara decided that the PC should take time to consider the Weiss paper and then arrive at a decision. After the IDA VI replenishment and the general capital increase would have been agreed, management should sit back and examine the Bank's role in research and related subjects. The Bank would have to consider how to use its increased income to greater leverage in the development process. A strong involvement in activities such as the TDR could be considered at that point.

CKW
June 6, 1979

822/6/3

OFFICE OF THE PRESIDENT

President's Council Meeting, May 23, 1979

Present: Messrs. McNamara, Cargill, van der Meer, Baum, Bart, Chadenet, Chaufournier, Chenery, Clark, Damry, Gabriel, Wiehen, Kirmani, Nurick, Paijmans, Qureshi, Rotberg, Stern, Gue, Kearns, Clarke, Trott

Mr. Chadenet summarized the action taken by the IMF Board on the Kafka proposals, the Gutowski formula and the March 1 adjustment.

As to the March 1 adjustment of 9.5%, Mr. McNamara said that there was no remaining issue except the differences in merit increases and promotion rates between the Bank and the Fund. He emphasized that the Gutowski formula approved by the Fund was absurd and based on the wrong principle. At tomorrow's Board meeting, he would state that for the record after a decision had been arrived at. He believed that an expatriation allowance was needed and that present compensation included such an allowance which, however, was marginal. Mr. Qureshi said that the Gutowski formula decision would be very divisive with staff. Mr. Chenery urged that Mr. McNamara make his statement on the formula before the Board made its decision.

With regard to the legal issue, Mr. McNamara said that he would state that technical papers, as a basis for arriving at a decision on the institution of an administrative tribunal, would be sent to the Board as soon as possible. The decisions to be made by the Board on the Kafka proposal were considered legal by Mr. Nurick and would be implemented.

Finally, as to the unresolved issues, Mr. McNamara strongly urged that there should be a permanent committee of the two Boards to deal with compensation, and to address first the unresolved issues of tax reimbursement procedures, Social Security, administrative tribunal, pensions, and initiation of the next comparator study. Mr. Stern said that, if there were no sympathy in the Fund Board for such a joint committee, Bank management should start with the Bank Board and form a Board committee with management representation.

CKW
June 5, 1979

OFFICE OF THE PRESIDENT

822/6/4

President's Council Meeting, June 4, 1979

Present: Messrs. McNamara, Lari, Baum, Bart, Chadenet, Chaufournier, Damry, Gabriel, Picciotto, Husain, Nurick, Paijmans, Qureshi, Hittmair, Stern, Wapenhans, Weiner, Wright, Mrs. Boskey

Administrative Tribunal

Mr. McNamara announced that Mr. Nurick's paper on the issue of an administrative tribunal would be distributed to PC members today for discussion at a PC meeting on Wednesday at 2:00 p.m. As a next step, management probably ought to identify the issues in a brief issues paper to be discussed with the EDs in an informal meeting. In his view, there was no question that there would eventually be a tribunal. The basic issue related to the options as to the powers of such a tribunal vis-a-vis the Governors of the Bank. It was for the Governors to arrive at a decision on this issue.

Mr. Paijmans said that this was a very sensitive issue with the Staff Association and that distribution of Mr. Nurick's paper should be limited to the PC members; PC members should not discuss the paper with their associates at this point in time. Mr. Chadenet warned that it might be costly to go to the Board on this issue before consulting with the Staff Association. In response to a question, Mr. Nurick reported that Mr. de Larosiere seemed not to be interested in a tribunal because the Fund is immune.

UNCTAD

Mr. Stern suggested that Mrs. Boskey could brief the PC next week on the outcome of the UNCTAD V meeting in Manila.

CKW
June 6, 1979

OFFICE OF THE PRESIDENT

822/6/5

President's Council Meeting, June 6, 1979

Present: Messrs. McNamara, Cargill, Lari, Baum, Bart, Thalwitz, Chenery, Damry, Gabriel, Picciotto, Husain, Nurick, Paijmans, Qureshi, Stern, Wapenhans, Weiner, Mrs. Boskey, Mr. Sommers

Administrative Tribunal

The meeting considered the paper prepared by Mr. Nurick on Principal Issues for Consideration in Connection With an Administrative Tribunal.

Mr. McNamara asked whether anybody had strong opposition to the institution of a tribunal. It was concluded that this was not the case. Mr. McNamara then stated that the basic issue to be discussed was whether powers of the Governors should be delegated to such a tribunal. In response to a statement by Mr. Husain, he said that the tribunal would, of course, have the authority to reverse management's decisions.

Mr. Husain argued that the tribunal should appeal individual staff members' cases but should not infringe upon the powers of Governors. The Board should be entirely free to follow political considerations. Mr. Wapenhans said that the tribunal should not make policy. Mr. Baum suggested that, as a first step, the issues to come before the tribunal should be circumscribed. If the Board maintained the right to make decisions without appeal by the tribunal, the staff would be left without any protection, since all important decisions were made by the Board rather than management. Such an approach would not address the concerns of staff, and would cast doubt on the usefulness of instituting such a body. Mr. Paijmans argued that consultation with the Staff Association was extremely important. Of course, staff were seeking total protection.

Mr. McNamara said that staff would favor the paper's Option (d) which gave the tribunal the broad power of review without limitation. In his view, it was for the Governors to make the decision on the option to be adopted.

Mr. Baum favored Option (c), namely, that the tribunal would be given the broad power of review, as in the tribunals of other international organizations; but, in order to preserve some measure of freedom for the Executive Directors to protect fundamental interests of the Bank under changing circumstances, it would also be provided that the tribunal would have no jurisdiction over decisions by the Executive Directors which they have determined to be in the fundamental interest of the Bank, possibly to a qualified majority. Mr. Nurick argued that Option (a) (namely, that the purpose of the tribunal would be to pass on actions by management in implementing and executing staff personnel policies, but without interfering with the powers of the Executive Directors to adopt a changed personnel policy) would not be sufficient with staff and that, on the other hand, Option (d) went too far. Therefore, a strong argument could be made for Option (c). Mr. Qureshi agreed; Option (c) left the fundamental political judgment to the Board. Mr. Nurick said that, under (c), a consensus would be built up over time as to what is of fundamental importance. Mr. Lari suggested starting with a combination of (b) and (c).

Mr. McNamara concluded that there seemed to be a consensus favoring Option (b) or (c); however, staff would certainly react negatively to these Options. The matter would be put before the Board and the Governors would have to decide.

Referendum of Staff Association

In response to a question by Mr. Gabriel, Mr. McNamara said that management could not do anything at this point in time. The way the questions were put before the staff made it unlikely that their real intentions could be probed. The Board might react negatively to the development of the Staff Association into a negotiating body. At some point in the near future, the President's Council would have to discuss the relationship between staff and management as it was presently developing. He was very uneasy about this fundamental problem. The relationship between management at all levels and staff had to be strengthened in order to keep the strength of the institution. This was a unique institution quite different from the UN agencies and more dependent on financing from governments. In his view, there was clearly a division of interests between professionals and support staff which was not reflected in the actions of the Staff Association. In response to a question by Mr. Baum, he said that the issue of whether managers consider themselves managers or members of the Staff Association and whether there was a conflict of interest had to be addressed. Managers had a fundamental responsibility to the welfare of the institution; they were, of course, also responsible to staff. For example, it would be totally wrong for managers to participate in a work stoppage. As a first step, the Bank should move towards establishing an administrative tribunal within the next 2-5 months; the role of management in its relationship with staff should then be dealt with as a second step. In response to a question by Mr. Wapenhans, he said that management would have to develop a better channel of communication with the professionals in order to deal with the essential issues for the future of the institution, i.e., not mainly with terms of employment but rather the basic objectives of the Bank.

Mr. Paijmans said that managers had to start listening to staff and to become more aware of the staff's day-to-day concerns.

CKW
June 13, 1979

OFFICE OF THE PRESIDENT

822/6/6

President's Council Meeting, June 11, 1979

Present: Messrs. McNamara, Barletta, Baum, Benjenk, Alisbah, Chenery, Damry, Gabriel, Hopper, Husain, Nurick, Paijmans, Qureshi, Rotberg, Wapenhans, Weiner, Kearns, Merriam, Mrs. Boskey

Lending Rate

Mr. McNamara said that the Bank's lending rate policy would be reviewed by the Board on July 10. A paper prepared by P&B would be distributed to the PC today for discussion on Wednesday, June 13, at 10:30 a.m. He asked Mr. Rotberg to prepare a note on the Bank's borrowing costs for FY79, CY79 and FY80. Mr. Husain said that the Board had also been promised a review of the amortization and grace period issues. Mr. McNamara said that these would be dealt with after the general capital increase had been settled and would also play a role in the discussion of the Bank's lending criteria.

UNCTAD V

Mrs. Boskey reported on the results of UNCTAD V in Manila. It had been a typical UNCTAD meeting in the sense that everything had been accomplished in the last few days. The meeting had been characterized by the fact that the LDCs had not done their homework and that the OECD nations were not willing to yield. The principal hope of the LDCs had been a resolution on interdependence, linking trade and finance; this had failed because of the unwillingness of OPEC to include oil. Mr. McNamara asked how far OECD had been prepared to go if the oil issue would not have stood in the way. Mrs. Boskey said that this was not clear and promised to address that question in her final report. In continuing her presentation, Mrs. Boskey said that the African group had been willing to withdraw all resolutions and to call the Conference a failure. The Philippine Government had then worked on a compromise, distinguishing between (i) resolutions adopted by consensus (which supposedly implied a moral obligation); (ii) voted resolutions; and (iii) matters referred to the Trade and Development Board. As to consensus resolutions, a resolution on transfer of resources called for achieving the 0.7 target and the donors had agreed to take additional measures to increase ODA, though without fixing target dates. The resolution endorsed the Bank's general capital increase and IDA VI replenishment. The LDCs had called for an agreement that the Bank's program lending should be increased to 20% of total lending; however, this had not been adopted. The resolution also called for increased cofinancing by the Bank, a renewed Third Window, and avoidance of arbitrary graduation of countries. A consensus resolution on commodities called for completion of the Articles of Agreement for the Common Fund and for Bank advice on the capital market side of the CF. The meeting also adopted consensus resolutions on technology, doubling of economic assistance, protectionism and UNCTAD (whose mandate was not expanded). With regard to voted resolutions, which of course carried by the numerical strength of LDCs, the LDCs' call for a 50-50 share in bulk shipping was not accepted by the OECD nations and the Eastern Bloc countries. Voted resolutions dealt also with the reform of the monetary system and the LDCs earning shortfalls. Finally, among the issues referred to the Trade and Development Board, interdependence, evaluation of the Tokyo Round, and debt were dealt with. The LDCs had called for an independent debt commission but agreement was reached only on improved Paris Club procedures; the LDCs wanted UNCTAD to have a larger hand in Paris Club meetings in order to enhance stability and impartiality. Mrs. Boskey concluded that the Bank came out well because it was spared attacks and got the two resolutions it wanted. Bank staff had provided considerable technical assistance to the different committees.

Mr. McNamara said that Mr. Haq had sensed the beginning of a permanent split of LDCs on the energy issue in Manila. He asked that Mrs. Boskey's report list those countries which supported Costa Rica's move. Mr. Hopper reported that Iraq was apparently spearheading a proposal for OPEC to keep deliveries to LDCs at the official price without any surcharge.

Staff Referendum

Mr. Paijmans reported that two questions had been put to staff: (i) strengthening the Staff Association, and (ii) collecting membership dues. About 3,300 staff members out of 5,100 had voted, of which 92% had supported the proposal to develop the Staff Association into a bargaining body and 76% had supported the collection of dues. Mr. McNamara asked Messrs. Paijmans and Nurick to consider hiring a specialist in international labor disputes. Such a person should have extensive experience in labor intermediation and arbitration. The problems to be faced were not solely legal but involved policy and organizational issues.

WDR II

Mr. Chenery reported that the WDR II, which was distributed to PC members last Friday, contained an oil price projection which would certainly be controversial. According to the projection, oil prices would be constant in real terms over the next ten years.

Mr. McNamara said that the Bank simply did not have the means to arrive at a more meaningful projection at the present time; however, he suggested introducing a paragraph which would state that other assumptions could be made which in turn would lead to an X impact on the balance of payments of LDCs, etc. He said that he did not understand why, with the tremendous rise in oil prices over the last six years, no action on alternative fuels, for example synthetic fuels, was underway. He argued that there was a false foundation for energy planning in LDCs. The Bank would have to take a more forceful stance on energy issues and would have to put something forward if nobody else moved on this. It would, of course, be very controversial. Mr. Chenery said that a lot of technical work on energy issues was going on but that there were no adequate political fora. Mr. McNamara argued that most of the work presently being carried out was second-rate. Much of the energy work was politically tainted.

Health Paper

Mr. Baum reported on last week's seminar with EDs on the health policy paper. The fact that the version presented to the Board for the purposes of the seminar had not contained any guidance as to what the Bank's proposed program would be had led to negative reactions. There had been a certain lack of enthusiasm for the paper; however, the seminar indicated sufficient support for an expanded role of the Bank in the health sector. Mr. McNamara observed that only four EDs had attended the meeting.

Seminar for EDs on WDR II

Mr. Chenery reported that several EDs had suggested holding a seminar on WDR II. Mr. McNamara agreed.

CKW
June 14, 1979

OFFICE OF THE PRESIDENT

822/6/7

President's Council Meeting, June 13, 1979

Present: Messrs. McNamara, Barletta, Baum, Benjenk, Chaufournier, Chenery, Damry, Gabriel, Hopper, Husain, Nurick, Paijmans, Qureshi, Rotberg, Stern, Wapenhans, Kearns, Merriam, Applegarth

Lending Rate Policy

The meeting discussed the draft Board paper on Review of IBRD Lending Rate Policy, dated June 12, 1979.

In introducing the discussion, Mr. McNamara said that the meeting should address: (i) the procedure to be followed on the lending rate, and (ii) the level at which the lending rate should be set at the date of Board review, i.e., July 10. In response to questions by Mr. Wapenhans, he said that the lending rate was not very sensitive to the future level of IBRD lending. Reviews would be carried out annually, or more frequently if necessary to avoid large moves when it was decided to move, and to correct past errors as to meeting the future income objective. He had preferred a lower spread and a lower income objective in the past; however, the U.S. had wanted the 75 basis point spread and it had then been decided that a spread of 50 basis points would be adopted. He asked whether everybody agreed that, in accepting the objective, the best approach was to follow the proposed guidelines.

It was concluded that there was general agreement with the proposed procedure.

Mr. McNamara said that Mr. Rotberg felt that a formula would have avoided the risk of injudicious action by management and Board. In response to a question by Mr. Husain, he said that the income objective had to be defined as aiming at (i) a sufficient pre-risk income to allow for a sufficient post-risk reported income, and (ii) an income sufficient to meet the desired reserve objective. Mr. Husain argued that income and reserves could not be an objective per se; the income objectives as stated by the paper implied an income more than necessary to achieve financing at lowest possible cost. Mr. Stern agreed that the paper's proposal resulted in a very generous allowance for risk. Mr. McNamara replied that this was irrelevant to the issue of the lending rate because the rate would be necessary to ensure an income consistent with minimum borrowing costs, even if it resulted in achievement of excessive reserves from a risk point of view. He commented that, unless the Bank found a better use for its income, there would in the future be pressure to reduce income levels. Mr. Gabriel suggested that one way of dealing with high income levels might be to introduce a rebate system. Mr. Qureshi commented that the borrowers got the benefit of a high income anyway. Mr. McNamara said that an inter-generational issue remained for borrowers. As to use of income, he suggested that borrowers would be better off if the Bank put, say, $10 million into agricultural research rather than lowering the lending rate. Mr. Benjenk argued that the Bank would always know how to make good use of high income.

Mr. McNamara said that the projected $1.25 billion income level for 1990 was certainly on the high side. As to the income level to aim for, Mr. Rotberg explained that the Bank's investors would look at (a) a reasonable spread over a generally rising income and (b) whether the institution was managed in a way which ensured continuous capacity to generate income. In response to a question by Mr. Chaufournier, Mr. McNamara said that he and Mr. Rotberg had given considerable consideration to the issue of the lowest possible income level. They had concluded that the minimum level would still have to ensure a positive post-risk income. As to the nature of the risks incurred by the Bank, he stated that it had not always been the Bank's policy never to participate in debt reschedulings. It was therefore conceivable that the Bank might lose its preferred position again in the future. One had, of course, to be careful to write the paper without creating self-fulfilling prophecies.

As to the calculation of the Bank's borrowing costs, Mr. McNamara stated that the Bank should define borrowing as taking place when it received the money, i.e., the settlement date. Advanced borrowing should in the future be defined as receipt of funds in a given fiscal year in excess of the amount agreed upon by the Board at the beginning of that year. He said that it would be wrong to single-weight for the lending rate. Borrowing costs should be double-weighted and centered on the date of the decision, i.e., taking the last six months and the future six months into account. It was concluded that in FY80 the Bank's cost of borrowing was expected to be close to 7.9% and that the lending rate should therefore approximate 8.4%. For the 12 months ending December 31, 1979, the cost of borrowing was expected to be about 7.8%; accordingly, it should be recommended to the Board that the lending rate be set at 8.3% effective for loans whose documentation is circulated to the EDs after approval of the recommendation.

Mr. McNamara asked Mr. Gabriel to provide him with IBRD income projections for 1990 based on a spread of 37.5 basis points and 25 basis points.

World Economic Trends

Mr. Chaufournier suggested that the PC should be briefed periodically on world economic trends and the impact on the developing countries. Mr. McNamara agreed and asked Mr. Chenery to consider reviewing with the PC and possibly the Board quarterly the impact of economic trends, such as energy changes and OECD growth rates on LDC economies.

CKW
June 18, 1979

OFFICE OF THE PRESIDENT

822/6/8

President's Council Meeting, June 25, 1979

Present: Messrs. McNamara, Barletta, Baum, Benjenk, Chadenet, Chaufournier, Chenery, Clark, Damry, Gabriel, Hopper, Husain, Nurick, RClarke, Qureshi, Hittmair, Wapenhans, Weiner, Kearns, Pyatt

IDA VI

Mr. Nurick reported on last week's IDA VI meeting in Brussels, particularly the fact that the U.S. still was in no position to commit itself and that the new UK Government might ask for a reduction in share. Progress had been made on some technical issues, particularly on working out an agreement with respect to the application of the Vienna or Grinzig formula. The next meeting would probably take place at Belgrade in conjunction with the Annual Meeting and a final meeting would take place shortly thereafter in Dubrovnic where final agreement on IDA VI was expected to be reached. Mr. McNamara commented that the major issue that remained was the U.S. contribution to IDA VI. The Japanese were forthcoming; the French would maintain their share; the British were supportive; and the Germans would come forward. U.S. action depended on this year's appropriations round where prospects at present were not good; the Bill might be cut on the floor.

Income Distribution Data

The meeting discussed Mr. Chenery's memorandum on development of Income Distribution Data (dated June 8).

Mr. Chenery said that availability and quality of income distribution data were now at the stage where national income accounting systems were 30 years ago. He proposed a strategy for the Bank to (a) do the best it could with the present data base, and (b) develop a conceptual basis for a new world effort. The LDCs would certainly welcome such a Bank initiative. Mr. McNamara said that he was inclined to go ahead with DPS' proposal. The world clearly needed an improved data base, given present and future employment and poverty problems.

Mr. Benjenk commented that this seemed to be a worthwhile effort; however, he had questions with respect to collaboration with the UN. In his view, the UN had no concepts and the intended country coverage of the UN NHSCP was poor. Mr. McNamara replied that the countries listed for the UN NHSCP included only those which did not have an adequate survey capability. Mr. Pyatt confirmed that statement; countries with a survey capability, such as India and Brazil, had been excluded. As to the proposed feasibility study, the proposition had been that the Bank could not put a system together unless it worked with the UN on the feasibility study. In response to a question, Mr. McNamara explained that the UN study was designed to develop country capability irrespective of type of household data to be collected. The feasibility study to be financed by the Bank would constitute an effort to process through the system the kind of data the Bank was interested in, i.e., income distribution data. In the past the Bank had drawn strong policy conclusions from rather weak data.

Mr. Qureshi suggested that, in view of the fact that Bank involvement would constitute an expensive program, continuous monitoring was required. Mr. McNamara agreed. A review should take place every year at budget time. For the coming year, the Bank should budget for (a) one more staff for the ILO work, (b) $250,000 for the feasibility study in FY80, and (c) $100,000 for continuing the Bank's current contribution to the UN NHSCP. DPS should explore whether other governments, particularly the Dutch or Canadians, might contribute to the cost of the feasibility study.

US AID Reorganization--Technical Assistance Agency

In response to a question, Mr. Hopper said that the technical assistance proposal had been defeated by the Senate last week and would now go to Conference. Tom Ehrlich was in charge of setting up the aid superagency. Mr. McNamara asked Mr. Clark to keep him informed about future developments.

Supplemental Payment to Staff Members by Member Governments

The meeting discussed Mr. Nurick's memorandum on Payment of Supplemental Amounts by Member Governments to Bank Staff Members (dated June 15).

Mr. Clarke reported that the Fund Board had met last week on this issue and that a 60/40 majority had agreed with the IMF management view, whereas the strong minority had preferred to be more flexible. The agreement was that staff were not allowed to receive supplemental amounts, with a waiver only for Japanese civil servants, and that the matter would be reviewed again in 12 months. In response to a question, Mr. Clarke said that there was a strong indication that the Bank of Japan and not only the Japanese Government made such supplemental payments to Japanese staff in the Fund and the Bank.

Mr. McNamara asked for a survey to be conducted in order to establish the status of Japanese and other staff members in terms of receiving such payments; however, before such survey action would be initiated, the issue should be brought back to the PC for further review. The entire issue should then be discussed again after the Annual Meeting around October 15.

Mr. Nurick explained that the Japanese waiver had passed the IMF Board on the grounds that (a) the staff members remain Japanese Government civil servants, (b) these payments were automatic, and (c) there was only one Japanese staff member involved in the case of the Fund. As to the strong minority view in the Fund, he reported that the U.S., FRG, France, Japan, Saudi Arabia, The Netherlands and the English-speaking Africans had voted in favor of allowing such payments; the UK and all other LDCs had been opposed. German staff members were thus not allowed to accept payments from their Government under the law passed by the German Parliament. With regard to the UN, he said that Mr. Waldheim was apparently against allowing such payments, although the Germans interpreted his position differently. He warned that this was a serious political issue for the German Government in view of the concerns expressed by the German Parliament about inadequate German representation in international organizations. Mr. Clarke added that officers of the Staff Association's Executive Committee had orally opposed the concept of supplemental payments by governments to their nationals.

Mr. Chaufournier argued that the entire issue of secondment by civil services to the international financial institutions had to be looked into in the context of analyzing the pros and cons of supplemental payments.

Mr. McNamara asked for preparation of a paper to the Board on supplemental payments within the next month (and after the next paper on the administrative tribunal had been prepared). The paper should state the positions of the Fund, the UN and the Staff Association.

Messrs. Wapenhans and Gabriel asked for guidance as to the position to take in advising German staff. Mr. McNamara replied that management should not take any position before the Board had acted on the issue. The Bank should probably follow the Fund's decision.

Administrative Tribunal

Mr. McNamara reported on last week's informal meeting of EDs on the establishment of an administrative tribunal. The Directors had been divided on the question of jurisdiction but a clear majority had favored limiting the jurisdiction of such a body. It had been agreed that management would prepare a paper on the jurisdiction issue, exploring various alternatives. In his view, the matter would take several months to be resolved.

Mr. Nurick reported briefly on the Court's ruling on the Novak case.

Management Committee Structure

Mr. McNamara postponed PC discussion of Mr. Kearns' paper on Management Committee Structure to the following week.

Bunching

Mr. McNamara urged the PC members to think about how to make progress on debunching. He pointed to the psychological problem associated with bunching, namely, the implication derived by many that the Bank was more concerned about quantity rather than quality of its work.

CKW
June 29, 1979

OFFICE OF THE PRESIDENT

822/6/9

President's Council Meeting, July 2, 1979

Present: Messrs. McNamara, Cargill, Barletta, Baum, Benjenk, Chadenet, Chaufournier, Chenery, Clark, Damry, Gabriel, Picciotto, Husain, Nurick, Paijmans, Qureshi, Hittmair, Stern, Wapenhans, Weiner, Kearns

FY79 Program

Mr. Stern reported on the results of the FY79 lending program: 247 projects had been approved by the Board, i.e., the target had almost been reached; the lending volume for IDA had been $3 billion and for IBRD $6.98 billion. The bunching problem had been as serious as in the previous year, i.e., 46% of the projects had been presented to the Board during the fourth quarter; however, 4 of the 6 Regions had reduced their bunching, whereas 2 Regions had experienced exceptional country problems: in EMENA, in the case of Turkey, and in Latin America, in the case of Brazil, which had been out of commission for three months because of the change in Government. In the future, the pipeline factor had to be improved by factoring in more standbys. For FY80, there already was some slippage in the opening pipeline coefficients and bunching would therefore probably be as bad as in FY79. The FY80 program contained only a modest increase in operations but a large increase in volume of lending. He concluded that over-all FY79 had been a very successful year.

Mr. Qureshi reported on IFC's FY79 program. While the target had been 45 investments and $360 million, 48 investments had been made with a lending amount of $423 million. The regional distribution had improved with 11 investments in Africa. However, the sectoral distribution was not as good because investments remained heavily concentrated in manufacturing. As to the future, a considerable increase in lending volume and country coverage could be expected. The main issue to be addressed by IFC was how to program in more effectively what countries really need; in particular, IFC's program was not yet sufficiently tuned into the Bank's country strategies. The pipeline was satisfactory, with some weaknesses in the case of Africa. Somewhat increased portfolio problems could be expected for the future, mainly on country grounds, as experienced in the cases of Iran and Ethiopia.

Mr. McNamara concluded that it had been a very successful year for IBRD, IDA and IFC in terms of furthering the Bank's objective of being tied to development. It was true that IFC's program was not yet sufficiently integrated with government development strategies and Bank and IDA programs. Bunching remained a serious problem; compared to the increased staff input, the Bank had actually slipped back in FY79. He warned that it would be politically unacceptable to continue with 46% of the program being processed during the fourth quarter; the EDs would not tolerate such a continued poor performance. He asked Mr. Gabriel to investigate (a) the reasons for differentials between Regions, e.g., between West Africa and Latin America, and (b) the cost of debunching.

Mr. Stern said that in the case of four Regions the increased staff input had yielded improved results. In measuring the Bank's basic performance on debunching, country performance problems should be excluded. Mr. McNamara argued that country problems had not been larger in Latin America and EMENA this year than they had been last year. Also, one had to realize that bunching led to staff dissatisfaction and to critical comments from outsiders on quality of Bank work.

Mr. Damry said that the EDs' irritation was aggravated by the additional bunching of policy papers. Mr. Barletta said that, in addressing the bunching problem, (a) improved pre-appraisal monitoring by management had to be carried out, (b) a higher standby ratio had to be introduced, and (c) political factors, e.g., changes in government, had to be predicted.

FY80 Budget

Mr. Gabriel reported that, at tomorrow's Board meeting on the FY80 budget, several Directors would have questions as to what the Board was asked to approve. Mr. Looijen would ask for a formal review of progress made on obtaining the Governors' vote on the general capital increase at that point during the fiscal year when a $6 billion commitment level would be reached.

Mr. McNamara asked Mr. Damry to extract from the Board minutes the interpretation management had placed on budget approval. As to the commitment level, the budget figure had always been considered a planning figure and the understanding had been that the Bank would not go beyond 10% above that figure without obtaining Board approval. In the case of expenditures, in his view the understanding had been that, if at any time during the fiscal year the administrative cost exceeded the budget by more than 1%-2%, the matter would be raised with the Board. He concluded that it had always been understood that the EDs did not approve an actual ceiling. Management had also always withstood pressure, particularly from the French, in the direction of the Board approving budget-line items. He concluded that management should insist that (a) the commitment target constituted only a financial plan but that management would be willing to reduce the margin of flexibility from 10%-5%; (b) the administrative expense total was a more rigid ceiling; and (c) complete flexibility had to be kept as to shifting amounts between sectors, etc., within the total amount.

Mr. Gabriel said that the following items might also be raised by the EDs: (i) cofinancing; (ii) uneasiness about the lending criteria based on the presented per capita income groups; (iii) pipeline shortfalls; (iv) action on accelerating disbursements; (v) the Bank's role as executing agent for UNDP projects; and (vi) the increasing IDA deficits.

OPEC Oil Price Increase

Mr. McNamara asked Mr. Chenery to discuss next week the impact of last week's OPEC oil price increase on the world economy, particularly the LDCs. He also asked Mr. Chenery to rewrite the statement contained in the WDR on oil prices. He asked Mr. Barletta to brief the PC on the IDB's energy insurance and guarantee plan at next Monday's meeting.

Management Committee Structure

Mr. McNamara asked PC members to give Mr. Kearns their comments on Mr. Kearns' memorandum on Management Committee Structure.

PLO

Mr. McNamara reported that the PLO had asked for observer status at the forthcoming Annual Meeting of the Bank and the Fund. He asked Mr. Damry to continue to follow up on this issue. Mr. Damry said that Mr. Nurick was presently working on a paper to the Board on this matter.

Summit Meeting

Mr. McNamara said that he would like to discuss the results of the Tokyo Summit Meeting at next week's PC meeting. The Summit Communique contained a cryptic paragraph on the Bank, and he had learned that there had been a hard debate on LDC problems. Apparently, the British had argued that the Summit nations should let the LDCs feel the full heat of the OPEC decision, while the U.S. and Japan had adopted a different posture.

CKW
July 11, 1979

OFFICE OF THE PRESIDENT

President's Council Meeting, July 9, 1979

Present: Messrs. McNamara, Barletta, van der Tak, Benjenk, Chadenet, Chaufournier, Chenery, Clark, Damry, Gabriel, Hopper, Kirmani, Nurick, Paijmans, Qureshi, Hittmair, Stern, Adler, Mrs. Hughes

Impact of OPEC Oil Price Increases

Mr. Chenery introduced the discussion by summarizing the expected impact on the world economy and particularly the LDCs of the recent OPEC oil price increase. The June 22 increase resulted in an average price level which was 15% above price levels projected in the WDR. A real price of oil in 1990 of $19.00 (versus an average $17.00 now) in 1979 dollars would clear markets.

Mr. McNamara said that it was hard to believe that such a modest increase in real oil prices would clear markets. Further analysis of long-term price projections was required. WDR II, to be published in August, should be clear in its analysis of the present situation, and should state that (a) gradual adjustments in prices were desirable rather than sharp increases, (b) governments should aim at erring on the side of conservation, (c) its projection did not constitute the most probable outlook, and (d) it was not possible at present to project with accuracy the long-term market clearing price.

Mr. Stern argued that a strong case should be made for governments to use taxes for obtaining gradualism in price changes. Through this instrument, gradualism was within the control of consumer-country governments rather than OPEC.

Mrs. Hughes argued that one should not be unduly pessimistic about oil prospects; OPEC was concerned about not provoking a recession and high inflation in OECD nations because of (a) their assets held in those countries, and (b) any premature substitution processes into synthetics. Mr. Chenery said that he was rather pessimistic because of the weak economic management of OECD nations.

IDB Insurance and Guaranty Fund for Fuel and Non-Fuel Minerals

Mr. Barletta reported on IDB's draft proposal for a fund for fuel and non-fuel minerals which would consist of (a) a $750 million insurance coverage for investors and (b) a $350 million guaranty amount for third-party lenders. Only investors from countries participating in the fund and from LDCs would be covered. The first reaction from countries such as the U.S., The Netherlands and Japan were positive; the UK had been lukewarm and Germany had reacted negatively. The fund would multilateralize the OPEC guaranty scheme. Only small amounts would have to be paid in because the fund constituted a conditional liability. Mr. McNamara asked Mr. Barletta to keep the PC informed about further IDB work on the fund.

Paris Energy Meeting

Mr. Stern reported on the recent energy meeting in Paris. The purpose had been to review the respective programs of national and international agencies in the field. The results had been startling in that these programs seemed to be very limited and the understanding of the energy situation in LDCs had advanced only very little. National aid agencies envisaged no specific efforts and preferred to leave activities in the field to multilateral agencies. With regard to renewable energy resources, there had been interest in forest products, solar energy and small hydropower shemes. The general view had been that substantial applicable technology was available, but that unit costs were high and distribution networks did not exist. In view of the lack of initiative of the bilaterals, the Bank had to consider increasing further its role in the energy field. Mr. McNamara agreed. He pointed to the fact that the Summit Communique had stated the desirability of Bank involvement in renewable energy sources development.

CKW
July 12, 1979

Record Removal Notice

The World Bank Group Archives & Records Management

File Title Records of President Robert S. McNamara President's Council minutes - Minutes 19	**Barcode No.** 1770832
Document Date July 31, 1979	**Document Type** Minutes

Correspondents / Participants

Subject / Title
Office of the President - President's Council Meeting, July 30, 1979.

Exception(s)
Prerogative to Restrict

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn by	**Date**
Shiri Alon	27-Feb-17

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

822/6/12

IBRD / IDA WBG ARCHIVES

Private

TO: Mr. Koch-Weser (O/R)

DATE: August 6, 1979

FROM: P. N. Damry

SUBJECT: President's Council Meeting - August 6

Present: Messrs. Barletta, Baum, Cargill, Chadenet, Chaufournier, Wm. Clark, Damry, Hopper, Hussain, Kearns, Knox, Nurick, Paijmans, Qureshi, Rotberg, Stern, Bevan Waide, Wappenhans, Weiner, J. Wood.

Some points: —

I. Governors' Speech

(a) Mr. McNamara offered copy of his 'Address to Governors,' requesting from ~~for~~ whoever could manage, comments in depth, if possible by Thursday afternoon (August 16th), and said he would be away from the night of Friday, August 17th.

(for action)

(b) Messrs. Chenery and Waide to check accuracy of figures and Mr. Qureshi (P & B) of operational matters.

(c) Possibility of different ways of expressing the adjustment process and the role of the Bank in relation to it. Messrs. McNamara and de Larosiere agreed that the June 28 oil price increase will now make the adjustment process more difficult, and the extent of aggravation of difficulties could not be gauged now. A great deal would depend on how much the commercial banks could do in the meanwhile on a short-term basis, and what intermediation of the Bank/Fund would be appropriate: essential that both institutions should take action, using own resources; IMF had certain facilities but the Bank certainly can intervene for medium and short-term relief in countries facing special problems of less than a long-term nature. Hence the reference in his 'governors' speech' to the Bank's willingness to do this along with IMF—to the extent possible, for the latter. (Cargill points out that this paragraph is too short.) Mr. McNamara indicates above statements refer very largely to middle-income countries. Problem for the more poor ones are ~~also~~ particularly difficult, but perhaps even there, the Bank could help, for example, with increased program credits with all their attendant difficulties of creditworthiness questions.

. . ./2

II. Administrative Tribunal

(a) Mr. Lester Nurick described the Friday Group Meeting and the paper considered against the background of the Executive Directors' informal meeting a few weeks earlier, saying majority of the Executive Directors had felt some limitation on part of the Tribunal essential. A further paper was promised and the Executive Directors would have an informal meeting on Wednesday, August 8th. ?In limiting jurisdiction, one way was to exclude by specification of excluded items, by Governors. ~~(For action - Mr. Paijmans to send copies of Mr. Nurick's Friday paper to President's Council.)~~

(b) Mr. Paijmans cautioned, and Mr. McNamara agreed, Executive Directors' views should never be known to staff. (For action - Mr. Paijmans to send to President's Council copies of paper sent for informal meeting of Executive Directors "Administrative Tribunal Jurisdictional Questions". For action, also, later discussion on Part-Time Participation of Staff in Management on which staff has written a paper.) Action Action

(c) It was suggested by [illegible] and agreed that Mr. Paijmans should circulate to President's Council the bunch of papers issued by him under the heading "Career Planning" dated July 31, 1979, marked "Strictly Confidential". Action

OFFICE OF THE PRESIDENT

President's Council Meeting, September 10, 1979

Present: Messrs. McNamara, Barletta, Baum, Benjenk, Chadenet, Clark, Damry, Gabriel, Hopper, Husain, Nurick, Paijmans, Qureshi, Rotberg, Stern, Wapenhans, Weiner, Waide, de la Renaudiere

Lending Criteria Paper

Mr. Damry reported that the Part I EDs were divided on the subject. They had raised different points and their position was not focused on one particular aspect: Mr. Fried was opposed to a relative cut-off level because this would, among others, call for further capital increases; Mr. Kurth had complained that there was no analysis of creditworthiness; Mr. Drake had argued that management was asking for a carte blanche; and the Nordics were, like Mr. Kurth, concerned about the fact that there was no analysis of future lending to lower-income countries. The Board meeting would not have finished up with a clear decision and a number of EDs had favored postponement of the discussion. Therefore, the meeting was being postponed today. Mr. McNamara commented that these concerns of the EDs could not be resolved soon. In view of the continuing financing problems of the institution, it was better now to clear the air and to postpone a Board decision.

Vote on General Capital Increase

Mr. McNamara said that he had asked Mr. Damry to work on obtaining quickly the votes of Governors on the general capital increase resolution in order to put pressure on the U.S. All countries except the U.S. would have to vote in order to get 75% of the votes. Mr. Damry added that the urgency of the vote had to be seen against the possibility of the Board deciding on reducing the IBRD lending program if the votes were not in hand by January 1, 1980. The RVPs could help in taking the issue up with governments and could work on collecting votes in Belgrade. Mr. McNamara agreed and asked Mr. Damry to send a status report on the voting tally to the PC every week.

Viet Nam

Mr. Stern reported that implementation of the loan made to Viet Nam a year ago was proceeding reasonably well. However, at the macro level circumstances had changed since last year and there was now a serious question whether economic issues received adequate priority and whether sufficient domestic counterpart resources were available. The Region had recently sent a mission to evaluate the macro-economic situation and Mr. Husain had decided that it was not appropriate to process loans until these issues had been resolved. These developments had coincided with Congressional action; Mr. Young had sent a letter to Mr. McNamara and the response had been that it was against Bank policy to lend to Viet Nam under current conditions. Mr. Young had then argued that this was too "cute" a statement and he had managed to get an overwhelming majority in the House to vote against Viet Nam lending.

Mr. McNamara made the following points on the Bank's lending policy vis-a-vis Viet Nam: (i) the Bank had made a loan last year which was being implemented satisfactorily; (ii) other projects had not yet come forward and would be considered on economic grounds; and (iii) the Bank was a captive of history; there had been strong opposition in Congress last year but he had nevertheless put the project to the Board, although Mr. Cargill and others had opposed such action. This year there had been a 180-vote majority in the House for the Young Amendment, so that it would be difficult to turn it around in the Senate or in Conference, given the additional impact of an election year. If it could not be turned around, the obligations of all other countries would lapse and the Bank would have to stop IDA lending by October 1. Also, there would be no basis for continuing the IDA VI negotiations. He asked Mr. Rotberg to work out how the point on the nature of the IDA V agreement could best be made and to get all letters which had stated that the Bank was prevented under its Articles from accepting restricted funds.

Mr. Baum enquired about loopholes in the language of the amendment. Mr. Nurick said that the U.S. Treasury was strongly opposed to accepting part of the money through gimmicks. Mr. McNamara said that the Bank would get into a "morass" if it established the precedent of accepting restricted funds. In the case of USAID, for example, there were now hundreds of restrictions. In the case of the Bank, other restrictions, imposed also by other countries, would certainly follow.

Mr. Rotberg commented that the grave consequences of the House vote on the amendment in terms of further IDA lending had not been fully addressed during the House discussion of the Young amendment.

WDR II

Mr. Clark reported that the WDR II, which had been published in August, had been very well received indeed and there had been virtually no criticism of the Bank as such. The coverage in Europe had been much broader than last year but not quite as prominent. A broad audience was increasingly being made aware of the Bank being more than a narrow "bank." In the Third World, there was growing realization among governments that the Bank was telling "their story."

Mr. McNamara suggested that PC members send their suggestions for improvements on the WDR to Mr. Waide. He was skeptical whether Oxford would prove to be an effective channel for distribution.

Staff Compensation Study

Mr. Paijmans said that, if the Fund did not agree on setting up a joint Board committee on compensation, the Bank should set up its own Board committee. In light of the fact that the results of the compensation study would be ready for the Board only by July 1980, management's approach to next year's compensation round had to be considered carefully.

CKW
September 24, 1979

OFFICE OF THE PRESIDENT

822/6/04

President Council Meeting, September 17, 1979

Present: Messrs. McNamara, Cargill, Barletta, Baum, Benjenk, Chadenet, Chaufournier, Chenery, Clark, Damry, Gabriel, Hopper, Husain, Nurick, Paijmans, Qureshi, Rotberg, Stern, Wapenhans, Weiner

IDA Crisis

Mr. Rotberg reported on the status of the U.S. Aid Bill to which the House of Representatives had added an amendment prohibiting indirect lending to several countries, including Viet Nam. The Bill was now being marked up by the Senate Subcommittee and a vote by the Senate could be expected during the next two weeks. This time it would be much more difficult to reverse the House vote and it was not unlikely that the House language would be passed. If reversed by the Senate, the Bill would go to Conference. Some of the funds contained in the Bill applied to the third tranche of IDA V and, if the amendment were not deleted, the Bank would be unable to accept the funds and would be without commitment authority from October of this year. This was so because, under the IDA V resolution, not only would the other countries be relieved from any commitments if the U.S. did not come forward, but the Bank would not be allowed to make further commitments. Mr. McNamara concluded that, in such a case, the Bank would have to stop committing IDA funds immediately in order to allocate the remainder more equitably. All possible efforts were presently underway to obtain a favorable Senate vote. He would meet with a group of Senators, organized by Senators Javits and Sarbanes, and would emphasize that there were six legal opinions stating that the Bank was unable to accept restricted funds.

Mr. Benjenk asked whether the members of the House had been fully aware of the consequences of their vote. Mr. McNamara replied that, according to the transcripts, they were not fully aware. The opponents of the Bank had argued that the Bank would of course find ways to accept the money.

In response to a question by Mr. Baum, Mr. McNamara said that, assuming the worst scenario, the Bank would continue processing projects but, subject to approval only if commitment authority had been reestablished, and would have to ask the U.S. to reprocess the Bill which would be very difficult in the present general environment. IDA would at best be out of business for about two months. The implications for the other major issues were equally serious: a conclusion of the IDA VI replenishment negotiations would most likely be further delayed which in turn might result in the support of certain countries, particularly the UK and Canada, fading away. The unfavorable IDA situation would also make it more difficult to obtain 75% of the Governors' votes for the IBRD general capital increase; this in turn would result in pressure for cutting the IBRD lending program.

Mr. Nurick commented that, from a technical point of view, a change in the IDA agreement would be a possibility. Mr. McNamara said that several other countries would probably feel that it would not be wise to take this course of action because it would reduce pressure on the U.S. to reprocess the Bill. It was unlikely that more than two-thirds of the non-U.S. tranche could be obtained through renegotiation.

Mr. Chaufournier argued that, because of public emotion running high on the "boat people" issue, public opinion would be against the Bank on the Viet Nam amendment. He therefore recommended that management not seek broad media coverage of the controversy and rather work on a small number of influential people. Mr. McNamara replied that there was not much room in which to maneuver but that there should and will be one or two strong press statements.

Mr. Damry recommended not raising the issue at tomorrow's Board meeting but telling the Governors in Belgrade if the outcome of the Senate vote were not favorable. Mr. McNamara agreed. He would make a very strong statement in his Governors' speech in Belgrade if the Bank lost the vote.

Mr. Hopper emphasized that he had discussed the issue with his Directors and that his Region fully backed Mr. McNamara's position of not taking restricted funds.

IDA VI

Mr. Cargill reported on his mission to Europe on IDA VI. He foresaw no problems with the Nordic countries except for the fact that Sweden was reducing its share. The German State Secretary for Finance, Mr. Lahnstein, though stating again the German position of a 12% share of a $12 billion replenishment, had indicated privately that there might be some flexibility and his Government might eventually agree to 12% of $12.5 billion. In the case of the UK, the Civil Service was in complete disarray and terrified of Mrs. Thatcher. He had stated that, if the Government considered a 2% cut in its share, he would have to call IDA VI off. They promised to put all arguments to the Minister and to give an answer by next Tuesday. His expectation was that there would be a token cut from 10.6% to 10%. The French officials had argued that they would have to go back to President Giscard on the issue.

Mr. McNamara concluded that, as things now stood, IDA VI was left short in terms of share percentages. It was important to tie down the Japanese to the agreed concept of cumulative parity with Germany which meant a Japanese share of 14.2% rather than 13%, as stated in several communications. He foresaw deep trouble for IDA VI.

PLO

Mr. Damry reported that the request for PLO attendance as observer to the Annual Meeting had been defeated by the Fund Board last Friday; however, there had been a suggestion that the PLO be invited as a special guest. He was not sure whether the EDs were aware that the principles governing invitations were the same for observers and special guests. He did not expect the issue to be raised at tomorrow's Bank Board meeting. The special guest suggestion let the EDs off the hook and put the burden on the President of the Bank and the Managing Director of the Fund.

Invitations Issued by the Yugoslav Government

Mr. Damry reported that there had been a rumor some weeks ago that the Yugoslav Government did not intend to invite the Delegations of Israel, Taiwan, South Africa and Korea to its reception. This had now been confirmed and seemed to be a decision taken at a very high level. Yugoslavia did not have diplomatic relations with these countries. This was an unprecedented action by a host country.

It was decided that Mr. Benjenk would raise the issue with the Yugoslav Ambassador. If the Yugoslav authorities did not change their position, it should be considered that the President of the Bank and the members of the President's Council not attend the reception.

Voting on General Capital Increase

Mr. Damry reported that the Governors of 36 countries had voted on the general capital increase resolution and that he would send an update of the voting tally to PC members every day in Belgrade. Mr. McNamara said that there were still difficulties with the major countries. Japan apparently argued that they could not vote now. He asked Mr. Cargill to discuss with Messrs. Damry and Qureshi what action could be taken to get the major countries to vote.

Havana Conference of Non-Aligned Nations

Mr. Clark reported that the Havana Conference had passed a very long resolution on economic affairs. Under the resolution, all countries were bound to work for the NIEO and there would be no breach in the consolidated front of the G-77. During the following Committee of the Whole discussions last Thursday and Friday, the G-77 had proposed a global discussion of North/South issues in the UN Special General Assembly instead of focusing on the Development Decade. No consensus had been reached. For the Bank, it was important that the G-77 would, for the first time, meet in Belgrade in conjunction with the Annual Meeting, i.e., the Finance Ministers would be under heavy pressure from their heads of state to keep the Havana line and they might talk more like their New York Ambassadors and Foreign Ministers. It was also quite apparent that the Committee of the Whole had asserted that it was the UN General Assembly's right to discuss the Development Decade in all its aspects including the role of the World Bank.

PRC

Mr. McNamara reported that the PRC had hired a Washington lawyer to advise them on the proceedings for joining the Bank and the Fund. He was surprised that there had been no official contacts yet.

CKW
September 24, 1979

OFFICE OF THE PRESIDENT

President's Council Meeting, September 24, 1979

Present: Messrs. McNamara, Barletta, van der Tak, Benjenk, Chadenet, Chaufournier, Wright, Merriam, Gabriel, Wiehen, Husain, Nurick, Qureshi, Stern, Adler, Weiner, Twining

Death of Staff Member and Consultant

Mr. Twining reported that a Bank staff member, Mr. Martin, and a consultant, Mr. Wilkins, had been killed in a small plane crash in the Sudan last weekend. Another staff member had been seriously injured but his condition was stable.

IDA

Mr. McNamara reported on his meeting last Friday with Senator Inouye. The Senator had assured him that tomorrow's Sub-Committee mark-up would not introduce a restrictive amendment. The problem would be to obtain a favorable vote by the Senate Committee next week. If the outcome in the Senate were favorable, the conference would be faced with the strong plurality in the House in favor of the Young Amendment. In light of the uncertainty as to the final outcome which would prevail at the time of the Annual Meeting, he planned to include a strong statement on the IDA situation in his Governors' speech in Belgrade. He then passed out a draft copy of this statement and asked PC members to give him their comments before they left for or after arrival in Belgrade. Mr. Gabriel asked whether the Board would have to be informed about this statement. Mr. McNamara replied that this was not necessary since he would only present the facts; also, he wanted to be free to change his statement at the last minute.

Mr. Stern pointed to the recent change in Government in the Central African Republic and argued that this should help in opening up the Viet Nam amendment on The Hill. Mr. McNamara agreed. Recent events in the CAR were a very good illustration of the weakness of the argument contained in the Young Amendment.

Next PC Meeting

Mr. McNamara announced that the next PC meeting would take place in Belgrade on Wednesday, October 3, at 5:30 p.m., in order to consider the concluding statement to be made by the President at the Annual Meeting.

Belgrade Governors' Meeting

Mr. Chaufournier enquired about the major issues to come up at this year's Annual Meeting. Mr. McNamara said that he expected the main issues to be addressed by the Development Committee meeting on Septmeber 30, which would focus primarily on the need for new funds connected with program-type lending, in order to finance the necessary adjustment process in LDCs. It was absurd to talk about establishing new institutions in view of governments cutting their aid budgets and the prevalent swing towards bilateralism for reasons of foreign policy or commercial interest. For the Bank, the two key issues would be whether to contribute to financing such adjustments and, if so, whether this financing was to be additional or a substitute for project financing.

Mr. Chaufournier commented that the African Governors would argue that Africa was increasingly penalized by not receiving as much concessional aid as others. Mr. McNamara said that, in the case of the Bank, this raised the important issue of whether some shift in IDA resources could be justified. If analysis of the creditworthiness situation of blend countries, such as Indonesia, revealed that increased IBRD lending to them would be justified, IDA funds could be shifted to the poorer countries, particularly in Africa.

Mr. Stern said that it should not be ignored that many African countries were unwilling to face important policy issues. Mr. McNamara agreed. In the case of Africa, (a) absorptive capacity was low, (b) countries received much more foreign funds than countries in other regions as a percentage of GNP, and (c) as Mr. Stern had pointed out, governments were less willing to address basic policy issues. For example, the Bank could not make pre-crisis program loans to countries unless the fundamental conditionality of these funds was accepted by their governments.

Mr. Stern said that there were two different categories of countries: (a) countries, such as Zaire, which were almost hopeless cases because they had not even come to grips with the previous (1974-75) adjustment problems, and (b) countries which have managed adjustment to the 1974-75 impact quite well but were presently not looking further ahead in terms of addressing long-term structural problems. Many African countries fell under the first category.

Mr. Qureshi commented that political leaders in LDCs could of course not avoid facing the short-term adjustment problems. In the case of long-term structural problems, governments were inclined to hope that they would go away or that the succeeding government would deal with them. The Bank could help in making the political costs of addressing long-term structural problems more acceptable to governments and in ensuring sufficient support for such long-term measures.

<u>New EDI Director</u>

Mr. Chadenet reported that Mr. Mazumdar had assumed his responsibilities as Director of EDI. Mr. McNamara said that Mr. Mazumdar was a very able person and he asked the PC members to meet with him.

CKW
September 25, 1979

OFFICE OF THE PRESIDENT

922/6/16

President's Council Meeting, October 3, 1979

Present: Messrs. McNamara, Cargill, Barletta, Baum, Benjenk, Chadenet, Chaufournier, Chenery, Clark, Damry, Gabriel, Hopper, Husain, Nurick, Parmar, Rotberg, Stern, Wapenhans, Weiner, Maddux, Knapp

The meeting discussed Mr. McNamara's concluding statement for the Annual Meeting.

Mr. McNamara said that Messrs. Clark and Maddux should prepare a draft statement by tomorrow night. It should probably make the following points:

(i) state that there had been unanimous support for the General Capital Increase and point to the importance of prompt voting;

(ii) urge that the IDA VI negotiations be concluded promptly and result in a growth of IDA lending in real terms; the statement should list the new donors which had stated that they would contribute; in view of the present problems with the Arab countries, it should also state that Saudi Arabia had promised a contribution; and

(iii) introduce Mr. McNamara's statement at the Development Committee, i.e., Bank action to increase program lending to countries in balance-of-payments crises, as well as program lending to countries in order to avoid balance-of-payments crises.

With respect to the vote on the General Capital Increase, governments had to understand that their vote did not imply any financial commitment, but that their failure to vote might result in a cut of the IBRD lending program in the near future.

Mr. Baum suggested that the term "sector lending" should not be used in conjunction with the proposal for increased program lending. Mr. McNamara agreed. Mr. Chaufournier said that, in his view, no dent could be made in the problems of the poorest countries through program lending. The Bank should not entertain excessive expectations that program lending to the poorest countries as budget support would be forthcoming. Mr. McNamara pointed to the possibility of shifting IDA resources from the "Indonesias" to the poorest countries. As a matter of principle, the Bank should decide that the doubling of the balance-of-payments deficits of the developing countries over the next few years had created a new situation which required an expanded Bank mandate to help undertake the structural adjustments needed to overcome these deficits. Program lending constituted a major and new initiative which required further discussion in PC. The Bank would have to report on its action at the April 24 Development Committee meeting in Hamburg. The Bank's first pre-crisis program loan would probably be a loan to the Philippines which could serve as a perfect model.

Mr. Rotberg said that the financial world considered this to be a major shift in Bank policy. Their interpretation was that IBRD money would now be channelled to non-creditworthy countries. Mr. Stern replied that this was clearly not the case; IDA resources would continue to go to IDA countries and IBRD funds would continue to go to IBRD countries.

In concluding, Mr. McNamara said that Secretary Miller's address to the Annual Meeting had been very good and very supportive of the Bank. Mr. Rotberg agreed; it was the strongest statement ever to come from a Secretary of the Treasury.

CKW
October 16, 1979

Record Removal Notice

File Title Records of President Robert S. McNamara President's Council minutes - Minutes 19	**Barcode No.** 1770832
Document Date October 16, 1979	**Document Type** Minutes

Correspondents / Participants

Subject / Title

Office of the President - President's Council Meeting, October 15, 1979.

Exception(s)

Prerogative to Restrict

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn by	**Date**
Shiri Alon	27-Feb-17

OFFICE OF THE PRESIDENT

President's Council Meeting, October 22, 1979

Present: Messrs. McNamara, Baum, Cargill, Barletta, van der Tak, Benjenk, Chadenet, Alisbah, Chenery, Clark, Damry, Gabriel, Hopper, Husain, Nurick, Twining, Qureshi, Rotberg, Stern, Gue, Weiner, Acharya

Report of the General Research Advisory Panel

Mr. Chenery introduced the meeting by summarizing the main findings of the External Advisory Panel on Research (GRAP) and management's response. The main changes suggested were (i) to undertake greater efforts to develop research capabilities of LDCs, and to ensure the use of research results by those countries; in the past, the Bank had done research mainly for its own use; (ii) to develop stronger links between the Bank's operational activities and its research program and to ensure a critical mass for research on the different sectors by keeping the present sector coverage; (iii) to improve dissemination of research findings; and (iv) to increase the research budget by some 10% per year.

Mr. Damry commented that the statement on expansion of collaborative research ventures with developing countries, contained in the last paragraph on page 3 of management's draft response memorandum, sounded too tentative and almost condescending. He urged making it a stronger statement. Mr. Chenery replied that there was some opposition in the Bank towards expanding collaborative research with developing countries. Mr. van der Tak added that, although there was agreement that the research capacity of LDCs must be strengthened, there was opposition to the Bank undertaking that, because it would turn out to be very staff-time consuming, etc.

Mr. Stern argued that the problem was to find the right institutions in the LDCs. This was not a matter of collaborative research which was done for different reasons. Collaborative research was undertaken as a partnership and not as a training function. The two issues should not be confused. Mr. McNamara agreed. The probability that, through collaborative research, the Bank would provide institution-building assistance in LDCs was very small. This should be done through projects work rather than research.

Mr. Baum pointed to the linkage between this set of issues and the education paper which proposed addressing the training issue more directly on a national scale.

Mr. Husain said that the broad issue of Bank assistance to economic policy formulation and research in LDCs had to be addressed and related to the future role of the Bank. He advocated a direct attack with regard to the institution-building issue through a CGIAR-type effort. Mr. Chenery agreed that collaborative research would not go very far in addressing the institutional bottlenecks in LDCs. However, the External Advisory Panel had no other solution to offer.

Mr. McNamara concluded that (a) there was need for developing research capacity in LDCs; (b) the Bank's collaborative research was aimed at that but insufficient; and (c) the Bank would explore how the issue could be addressed directly and would raise the matter again with the Board after a reasonable time.

Mr. Stern said that the statement on page 4 on relations with other international organizations and researchers in developed countries was a weak recommendation and would not be well received by the Board. It was decided to drop that paragraph. Further, Mr. Stern argued against adding a chief economist to the Region, with primary responsibility for articulating research needs and issues of his Region and for assisting the process of research dissemination. Management should not endorse this recommendation of the External Panel's report. Mr. Chenery replied that presently regional economists did not use the new techniques developed by the Bank and that there was a longer lag between research and application than necessary. Mr. Barletta argued that this was because there was not enough interaction between the Regional economists and the researchers. Communication had to become a two-way street. Mr. Qureshi agreed that better communication between existing staff was the crucial issue and that the problem would not be resolved by establishing more staff for that purpose. Mr. Hopper also agreed that the proposal for adding a senior economist position should be deleted. The real issue was that the regional economists were isolated from DPS and from their profession because they had no time to read professional journals. Mr. Benjenk supported Mr. Hopper and pointed to the fact that there was no give-and-take between the operational staff and the Bank's researchers. At the roots of the problem was the reluctance of the operational staff to adopt research "formulas." Mr. Stern agreed with Mr. Qureshi that the addition of a senior economist position was not the right solution. It was an unrealistic objective to have all country economists experimenting at the outer margins of knowledge. New techniques first had to be tested, i.e., to be applied very selectively by the Regions. As to the application of research, the emphasis ought not to be on Bank staff but rather on transfer to LDCs. Here the link was very tenuous. He disagreed with Mr. Chenery as to the gap between knowledge and application in the Bank. In his view, there was no such long gap. Mr. Cargill remarked that the gap was actually at times too short.

Mr. Stern questioned the usefulness of allocating $200,000 per year to the Research Advisor's office for dissemination outside the Bank through seminars on results of individual research projects or on broad functional topics. Mr. Acharya replied that these funds would be used for pilot applications; he gave the example of the application of an econometric model to Turkey. Mr. McNamara said that the paragraph should be rewritten, distinguishing between pilot applications and conferences.

Mr. Gabriel suggested asking for the Board's reaction to the GRAP report without giving them management's response. Mr. McNamara replied that this was a possibility to be considered. In his view, the External Panel's report was not bold enough in its recommendations. The Bank should seriously consider setting up an IFC-type subsidiary for funding research out of Bank profits. The research would be directed at accelerating economic and social development in LDCs. He had hoped that the GRAP would come up with such a recommendation. He was convinced that the world needed such a major initiative but it had of course to be considered carefully whether the Bank was the institution to undertake it. He urged that PC members think about the establishment of such a Bank research subsidiary. He was increasingly impressed with the fact that the development problem was not to be resolved by external finance but was due mainly to a lack of institutional, intelectual, human and technical capabilities. This message came through clearly and increasingly in Bank reports.

With regard to Mr. Gabriel's suggestion, Mr. Stern argued that management's response memorandum should be used with the Board in order to build a foundation for the FY81 and other future research budgets. Mr. McNamara agreed to base the Board discussion on management's paper. If possible, the Board discussion should be scheduled for November 20.

G-77

Mr. Clark reported that there was presently enormous confusion in the G-77 as to how to react to Fidel Castro's and Mr. Dadzie's recent speeches. In private, everybody agreed that pursuing the NIEO approach was not a good idea; however, in public the NIEO provided the only common denominator. In his view, further confrontation would result. He recommended that PC members read Mr. Dadzie's speech which was an intelligent and dogmatic piece, while Mr. Castro's speech had been more confrontational and was not going down well in the UN.

CKW
November 6, 1979

OFFICE OF THE PRESIDENT

822/6/19

President's Council Meeting, October 25, 1979

Present: Messrs. McNamara, Cargill, Barletta, Baum, Benjenk, Chadenet, Chaufournier, Waide, Clark, Damry, Gabriel, Hopper, Husain, Nurick, Paijmans, Qureshi, Rotberg, Stern, Gue, Weiner

Bank Press Reviews

Mr. Qureshi said that the form and the size of the Bank's internal press reviews had reached a stage where the product was quite different from what it was originally intended to be. Originally it had been a means to inform staff, on a strictly internal basis, on the development process. However, at present, the reviews contained a great deal of information which was not relevant to development and was, moreover, tendentious; this information was only of marginal interest to the staff. Also, the reviews were receiving wide internal and external circulation which led to the implicit assumption that their content had the approval of management. The main problem seemed to be that the reviews covered only a small segment of the international press and were heavily weighted towards the U.S. press and some segments of the European press. Therefore readers got mainly the somewhat biased U.S. view of Third World issues. This shortcoming could of course be remedied by including a broader press coverage, including Third World press; however, that would be very costly. In his note, Mr. Clark proposed--and he (Mr. Qureshi) fully agreed with these recommendations--to produce (i) a daily Reuters and agency roundup; (ii) to this Reuters and agency roundup would be attached, on a daily basis, summaries of two or three lines of articles that appeared in the U.S. press (if people wished to follow up, they could look in their own copies); (iii) once a week there would be a more extensive selection of clippings from all available publications that were of some value and help in understanding issues of development; this would need careful scrutiny to see that it did not cause needless offense to any group; and (iv) for circulation to about half a dozen concerned persons, a set of clips that reflected public comments, "warts and all," would be continued. He concluded by emphasizing that, although the issue had been brought to a head by Arab complaints in Belgrade, the question he had tried to deal with was broader, namely, how to avoid making countries feel that the Bank was a vehicle of invidious attacks on them.

In response to a question by Mr. Baum, Mr. Clark said that presently 80 xeroxed copies of the press review were distributed in the morning to the PC and EDs, and about 250 copies were distributed around noon to Directors and Division Chiefs. However, EDs could ask for extra copies and, for example, Messrs. El-Naggar and Mayobre received 70 and 10 extra copies, respectively. Also, because of the staff's interest in the reviews, a number of Divisions put the reviews on their bulletin boards. He urged that staff not be excluded from "the winds of controversy" in the world by limiting present circulation. However, management should consider asking the EDs not to distribute the reviews externally.

Mr. McNamara concluded that Mr. Clark's recommendations should be followed, i.e., to produce (a) an "IMF-type sheet" which should not be considered to be a World Bank document and would be distributed to the present recipients of the press review, i.e., about 300 staff members; (b) the weekly edition which would also not carry a World Bank title and would be distributed to the same group; and (c) clips which reflected public comment and which would be distributed to those in this room. He asked Mr. Clark to start with a trial run next Monday, for a week, i.e., to produce only for the PC the "IMF-type sheet" and the weekly more extensive selection. The results of the trial run should then be considered by the PC a week from next Monday (November 5). He observed that he did not like the term "needless offense" in Mr. Clark's note; for example, although the Halberstam Letter to the Editor and the Barron's article certainly caused offense, staff should be aware of the views expressed in those pieces. He agreed that the Bank would have to use good taste and judgment in selecting the clippings to be reproduced. The important test would be whether the pieces were relevant for the Bank's work. For example, in his view, the Halberstam letter was relevant but the article containing an attack on Islam as a religion (mentioned by Mr. Qureshi) was not. If after the trial run the new system found the acceptance of the PC, the Board and the staff would have to be informed.

In response to a question by Mr. Chaufournier, Mr. Clark said that the daily news coverage could be broadened and efforts were presently underway to get the Inter-press Third World service, which, however, would turn out to be tendentious in the other direction. Mr. McNamara said that use of the Inter-press service should be considered on a trial basis.

CKW
November 1, 1979

OFFICE OF THE PRESIDENT

822/6/21

President's Council Meeting, November 2, 1979

Present: Messrs. Cargill, Barletta, Baum, Benjenk, Chaufournier, Chenery, Clark, Damry, Gabriel, Wiehen, Kirmani, Nurick, Paijmans, Parmar, Rotberg, Stern, Wapenhans, Weiner

U.S. Aid Bill

Mr. McNamara summarized action taken on the U.S. Aid Bill over the last month. He referred to his Belgrade statement and the fact that the Senate had deleted restrictive country language. Recently a new issue had come up, namely, that our supporters on The Hill felt that they could not avoid restrictions on lending to Cuba. Mr. Ortiz Mena from the IDB had reacted that he could live with such Cuba restrictions; the Bank had replied that it could not and stood firm. Yesterday, Treasury and the Bank had thought that they had the necessary votes of the Senate and House conferees in the Conference meeting; Treasury expected that there would be a 6-5 majority among House conferees in favor of the Bank. Mr. Stern continued by stating that at lunch time all six House conferee votes had been lost. Congressman Bill Young had made an excellent presentation on the Cambodia situation, focusing on starving children and showing photographs. He had concluded by asking: "Do you want to vote for this Government"? Also, he had supplemented his statement with a long list of House votes where Congressmen Obey and McHugh had voted with the minority and had made the point that the two by no means represented the majority of the House. His presentation had been so good that it was not even clear whether the Senate conferees would have stood by their position. Congressman Obey had concluded that, if he did not receive a statement from the Bank's management to the effect that no lending to Viet Nam would be undertaken, he would "jump ship."

Mr. McNamara said that he had then been met early yesterday afternoon at the airport by Messrs. Fried and Stern. Mr. Beckel, White House Congressional Liaison official, had told President Carter that by 1:00 p.m. the Bill was absolutely dead. In light of these circumstances, they had then decided at the airport to send the requested letter. Mr. McNamara then distributed copies of the letter to PC members. A similar statement was being made by Mr. Yoshida, ADB. The first paragraph of the letter contained nothing new, i.e., repeated language from previous letters by Mr. Fried which had been worked out with the staff. The first sentence of the second paragraph contained his statement made in the Newsweek interview. He emphasized that the position expressed in that interview had not been shared by all staff members. The second sentence of the second paragraph contained the new element and should be read as "Consequently, because of these conditions, which we believe will last for eight months, I cannot recommend a loan to Viet Nam to the Board in FY80 and therefore the Bank will not be providing a loan to Viet Nam in FY80." The important statement in that letter was "because of these conditions."

An informal Board meeting had been convened yesterday afternoon immediately after the letter had been sent. During the meeting with the Directors, the message had been received that the restrictive language had been deleted. Also, there were only slight cuts in IDA allocations but a dramatic cut had been made in the contribution to the IBRD Selective Capital Increase. The alternative to sending the letter would have been the collapse of IDA for some time, a resulting further postponement of an IDA VI agreement against the background of only very dim prospects for passing a new bill in an election year and with the Cambodia situation expected to deteriorate. He had told the Directors yesterday that they had to understand that the sending of the letter was his full responsibility, and that some staff and opponents of the Bank would interpret the letter as moving away from principle. There had been considerable controversy in the Board to which he had reacted by saying that the Board could repudiate the letter. The Board would meet again informally on Monday at 11:00 a.m.

Mr. Benjenk said that, in the circumstances just described, management had to choose the least unpleasant course. Some time ago, Mr. McNamara had said that, for country reasons, there would be no lending to Viet Nam proposed; as a result, the Board cannot approve any such lending. He endorsed the action taken, although the letter undoubtedly left an "unpleasant taste in one's mouth."

Mr. Baum also endorsed management's action. In his view, the conditions of not lending to Viet Nam were not clearly stated. He enquired about the possibility of presenting a loan on July 1, 1980. In his interpretation of the letter, there was no option for management to present a loan during this fiscal year. Mr. McNamara replied that, in his view, this option remained if the conditions changed.

Mr. Cargill said that it would have been better if the letter had been addressed to Secretary Miller. Mr. McNamara replied that in the haste he did not realize that the letter was addressed to Mr. Long. He therefore had sent a letter to Secretary Miller this morning, apologizing for this wrong procedure. Mr. Cargill continued by stating that the Bank should forget about lending to Viet Nam for some time; in his view, such a letter should have been written a month ago. Mr. McNamara replied that, because of the disagreement among staff, such a statement had not been considered at an earlier time.

Mr. Chaufournier expressed his concern that the fierce Board reaction to the letter might threaten successful completion of IDA VI negotiations. Mr. McNamara disagreed. A loan to Viet Nam would not pass the Board at this point. Mr. Cargill added that even the Nordic countries were cutting back on aid to Viet Nam.

Mr. Rotberg argued that the letter was a straightforward statement of the President's prerogatives. However, he was concerned about Mr. McNamara's offer to the Directors to repudiate the letter and to decide on lending to Viet Nam. Mr. McNamara replied that he had not stated to the Board that they could decide on lending to Viet Nam; he had only offered the possibility of their repudiation. Mr. Rotberg said that it was not clear to him what repudiation of the letter would mean. He felt uneasy about that proposal.

Mr. Nurick said that the By-laws did not contain any statement on the President's prerogative to put forward a loan. However, it had always been Mr. McNamara's position that, if the Board did not leave that prerogative to the President, "it could look for a new President."

Mr. Gabriel said that he was worried about staff reactions. Mr. Kirmani said that his discussions with staff had shown that one had to distinguish between substance and emotions. In his view, the letter was not a major new move in terms of substance. The staff would understand. As to the emotional issue, staff were concerned about the U.S. trying to dictate Bank policy and that this trend would increase. These fears had to be allayed. In discussions with staff, it should be emphasized that, if conditions improved, the President would recommend a loan to Viet Nam; however, the criteria to be applied in determining whether conditions improve should better be left ambiguous. Some staff felt that project execution, even under the present difficult situation in Viet Nam, worked well and better than, say, in Indonesia. The progress made in implementing the irrigation project had been good. As to the general economic conditions in Viet Nam, staff was, of course, aware of what was happening in Viet Nam and Cambodia. If they had sympathy for Viet Nam three months ago, this sympathy has been gradually eroded. He concluded that he would take the responsibility of telling staff that they would have to forget about lending to Viet Nam in FY80. Mr. McNamara said that, if Mr. Kirmani would do that in his own responsibility, he would consider that a wise action. He said that he had felt for some time that, under present country conditions, the Bank should not spend money on processing projects for Viet Nam. Mr. Cargill added that there was a simple rule of not lending money to a country which was at war on two fronts.

Mr. Gabriel argued that, in explaining the letter, management should not emphasize that, if conditions changed, loans to Viet Nam would be presented within the current fiscal year. Such a proposition would be self-defeating. Mr. Rotberg agreed; it would have no credibility and management would appear to be playing both sides of the fence. Mr. Benjenk also agreed and said that, if the letter appeared as a tactical move, the Bank was lost.

In response to a question, Mr. McNamara said that his letter to Congressman Long should be made available to staff on request. He concluded that a Department Directors meeting should be held on Monday after the next informal Board meeting in order to inform staff.

Tax Reimbursement Formula

Mr. Paijmans reported briefly on the main issues to be resolved with regard to the new tax reimbursement system for U.S. staff. There were important differences remaining between the Bank and the Fund as to whether to use adjusted or unadjusted income and regarding the nature of safeguards. Both institutions felt that the Staff Associations should be consulted next week. Mr. McNamara concluded that these issues would be presented to the Staff Association without providing management's positions.

CKW
November 6, 1979

OFFICE OF THE PRESIDENT

822/6/20

President's Council Meeting, October 29, 1979

Present: Messrs. McNamara, Cargill, Barletta, van der Tak, Benjenk, Chaufournier, Chenery, Clark, Damry, Gabriel, Hopper, Kirmani, Nurick, Paijmans, Parmar, Rotberg, Stern, Wapenhans, Weiner, Wright

Board Discussion of OED's Annual Report and Annual Review of Project Performance Audit Results

Mr. Weiner reported that he expected no basic issues to be raised by the Directors. There might be a question on IFC audits and about the delay on the procurement study. As to procurement, this was a sensitive area and there was only anecdotal evidence. Mr. McNamara said that one should argue that procurement was a complicated issue and that the Bank was not capable of a thorough study of the subject at the present time; this would require an additon of about five staff members to OED.

It was agreed that the annual review of project performance audit results would again be published without mentioning names. However, the Bank should consider and consult with borrower governments whether next year's review could be published with the identification of the countries and projects by name.

Publication of Country Economic and Sector Reports

The meeting discussed the DPS memorandum, dated October 17, on publication of country economic and sector reports. The memorandum recommended tidying up the present procedure by formalizing the review procedure for "Type III" reports, but not to change the present policy.

Mr. McNamara questioned whether any outside reader would distinguish between "Type I" Bank-backed published books and "Type III" not Bank-backed published reports. He enquired whether the Bank should not produce only Type III reports and distribute them widely.

Mr. Clark argued that country and economic sector reports were produced for Bank use. The question was whether they should also be available to the public. At the moment, the gray cover reports were distributed through "the old boys' network." Reports which were judged to remain of interest to scholars for 5-10 years to come should be published as Type I reports. Mr. McNamara argued that the real issue was whether the Bank did not have more than two documents per year which were of broad interest. The two criteria to be used were (a) adequate quality, and here everything which went to the Board should meet that criterion, and (b) government approval of publication. If these criteria were met, the question was whether the report was of broad interest. He questioned the usefulness of publishing two different types of reports with two different categories of quality and two different distribution systems.

Mr. Chenery argued that the professional journals would not review type script documents (Type III). Also, busy bank country economists were frequently writing reports which were a far cry from the standard of a published book. The real test was not the number of copies sold but whether the publication was considered by scholars as the best or standard piece on a given country. Mr. McNamara replied that, from the point of view of its reputation, the institution was not more at risk by publication of Type I reports than it was by publishing Type III reports. Also, the interest in these publications should be much broader than indicated by the number of copies sold in the past.

Mr. Stern said that, if the Bank wanted to expand its publication of country economic and sector reports, a cheaper and more efficient way had to be found. Mr. Hopper added that commercial publishers reached a much larger audience; for example, Praeger distributes 4,500 copies of its publications right away. He suggested moving from Type III publications to a commercial publisher who did all the editing. There was a large potential audience for Bank country economic and sector reports which remained untapped, e.g., banks and LDC libraries.

Mr. Wapenhans said that the Bank should not underestimate present access to gray cover reports. It should consider changing its declassification policy for these reports in order to assure their timeliness. Mr. Stern added that a broad interest in published reports could only be assured if the red cover came out 30 days after the Board.

Mr. McNamara concluded that the Bank should proceed on the basis of the proposals contained in the DPS memorandum; however, at the same time, possible improvements should be considered. Any reports sent to the Board should be of a quality standard which made publication possible. In its work, the publication committee should take a first cut by determining the degree of interest a given report would meet, a second cut by determining its quality, and a third by seeking government approval. As a fourth step, the committee should then consider how to publish and distribute the document. He decided that the PC should look into the issue again six months from now, based on the work to be carried by DPS in the meantime.

<u>US Aid Bill</u>

Mr. Clark reported that Bill Young had not managed to instruct the House conferees, that the Conference Committee had been established, and that it would meet later in the week.

CKW
November 2, 1979

OFFICE OF THE PRESIDENT

822/6/22

President's Council Meeting, November 5, 1979

Present: Messrs. McNamara, Cargill, Lerdau, Baum, Benjenk, Chadenet, Chaufournier, Chenery, Clark, Damry, Gabriel, Wiehen, Kirmani, Nurick, Paijmans, Parmar, Rotberg, Stern, Adler, Weiner

Press Reviews

Mr. Stern remarked that he did not understand how the format of the press reviews had changed under last week's trial run. Mr. McNamara said that the PC had decided to experiment with (a) a daily blue sheet a la IMF, giving the wire services news and excerpting from the press, and (b) weekly more extensive clips. The logic was that the daily news sheet would constitute a quick means of informing the busy executive. The weekly clips would provide a more extensive and balanced press coverage.

Mr. Baum said that he thought the objectives of the revised format were: (a) not to consider the press reviews a Bank document, (b) not to make the press reviews externally available, and (c) to provide a very wide coverage of the clippings as soon as available. In his view, management had over-reacted to past criticism.

Mr. Clark said that he would prefer to continue carrying clips in the daily edition because readers preferred such clips over excerpts. Local news clippings were useful for staff.

Mr. McNamara decided that a daily IMF-type news summary called Daily Development News should be introduced immediately on an experimental basis together with a weekly wide-coverage clip service.

Trip to Brazil and Ecuador

Mr. McNamara reported that he would leave for a ten-day trip to Brazil and Ecuador tomorrow. In view of Mr. Cargill's travel to the Middle East, Messrs. Stern and Qureshi (the latter during Mr. Stern's absence) would act for him.

CKW
November 6, 1979

OFFICE OF THE PRESIDENT

President's Council Meeting, November 19, 1979

Present: Messrs. McNamara, Barletta, Baum, Benjenk, Chadenet, Thalwitz, Chenery, Clark, Damry, Vergin, Wiehen, Kirmani, Nurick, Paijmans, Qureshi, Rotberg, Wapenhans, Weiner

Iran

Mr. Qureshi reported that Congressman Bauman had put forward an amendment to the continuing resolution barring funds from being used for Iran; however, the language was much less precise than in the case of the Young Amendment and therefore his move may or may not prove to be a restriction. U.S. Treasury's reaction had been to state that the intention of the Administration was not to subscribe under the continuing resolution but to subscribe only under the Foreign Aid Bill. However, all options had to be kept open because, if unforeseen delays occurred in the processing of the Aid Bill, the U.S. might have to subscribe under the continuing resolution. The Conference Committee was not to meet again until after Thanksgiving; this could present a serious timing problem because the U.S. had to arrive at a firm position on IDA VI before the December meeting. With regard to the U.S. Government's decision to block Iranian assets in the U.S., no detailed work had been done yet on the implications for the IFI's financial dealings with Iran. As a result, the Federal Reserve had not executed payments both by the Bank to Iran and by Iran to the Bank which had become due on November 15. The Bank had cabled the Iranian Government that a different arrangement, using another central bank to act as the Bank's agent, would be quickly worked out. Treasury's attitude was helpful and its lawyers would contact Mr. Nurick today. Finally, he had conducted an informal meeting with the EDs during Mr. McNamara's absence on the issue of Bank lending to Iran; he had stated that the Bank had no plans at this time to lend. Mr. McNamara concluded that--as Mr. Qureshi's report made clear--the Bank still faced serious problems on IDA IV, V and VI.

Vote on General Capital Increase

Mr. Damry reported that 107 countries representing 171,605 votes had voted so far. Canada and Belgium were expected to vote soon but there was no indication yet from the U.K. and Japan. Mr. McNamara asked Messrs. Damry and Qureshi to lay out a strategy for obtaining the votes of the U.K. and Japan. He did not understand the reasoning behind Mr. Murayama's position with respect to linking the maintenance-of-value issue with the vote on the capital increase. The Bank should try to obtain the U.K. vote before Mr. Ryrie left the Bank.

News Summary

Mr. McNamara said that the experiment on the new format for the daily press report should be run for another week. The weekly, more extensive press clippings should come out every Friday morning. He asked Mr. Clark to draft a letter to the present recipients of the Press Report, explaining the reasons for the change in format. In the future, no copy should be delivered to the EDs for outside distribution; such distribution would violate copyright and constitute a misuse of information intended mainly for management. The new format "Development News--Daily Summary" should be distributed to the EDs and PC members before 10:00 a.m.

Conference on Energy in Nice/France

Mr. Chadenet reported on the Nice energy meeting which had been jointly sponsored by a Florida energy institute, formed by 10 physicists, and the Institut

Francaise d'Energie. The meeting had brought together physicists, economists, bankers and sociologists, and had covered all aspects of energy development. One of his main impressions had been how extremely difficult it was for physicists to talk to economists and the financial world, and vice versa. On several occasions, he had performed the role of the mediator because of the Bank's tradition of doing interdisciplinary work. There had been great tension between the North and the South representatives.

Mr. McNamara said that PC members, particularly the RVPs, would have to become experts on energy because of the paramount importance of the subject. He asked Mr. Chenery to circulate to PC members the memorandum prepared by Mrs. Hughes on the meeting with six outsiders on energy price projections and other issues. The Bank's past oil price projections were proven wrong.

Mr. Chenery argued that the question was whether the Bank should err on the side of being high or being low; so far, the Bank's projections had been on the low side. Mr. Chadenet added that erring on the high side would become normative over the short run. Mr. McNamara said that this would not necessarily be the case; the Bank should simply be realistic in its projections. The Bank would have to probe deeper into energy requirements on a country-by-country basis. During his visit to Brazil, he had been impressed with the progress made by the Brazilian Government on using alcohol for car propulsion; at present, Brazil produced 3.5 billion liters of alcohol per year and was moving towards 10 billion liters in 1985. Alcohol would become competitive with petroleum at a price level of $40 per barrel, i.e., at prices already paid in some spot markets. The Government wanted the Bank to study the economics of its program.

In response to a suggestion by Mr. Benjenk, Mr. McNamara asked Mr. Chenery to organize a seminar on energy in order to acquaint senior staff with the technical and particularly the economic issues. He referred PC members to the energy studies which had been carried out by the Ford Foundation, Harvard and Resources for the Future.

Mr. Baum reported on last week's meeting in Paris which had been attended by four Vice Presidents. In his statement, Minister Monory had presented a very strong endorsement of the Bank. Mr. McNamara asked Mr. Clark to include Mr. Monory's statement in the press review.

<u>Mr. McNamara's Visit to Brazil and Ecuador</u>

Mr. Barletta reported on Mr. McNamara's visit to Brazil and Ecuador. The Brazilian Government had used the visit for a statement on its poverty programs and on its case against graduation of the country from Bank lending. In the case of Ecuador, the visit had been used to stress the need for economic policy reformulation. Both countries faced short-run economic difficulties and were in the process of political opening. In the case of Brazil, the political liberalization made recession a difficult cure for the country's 60% inflation rate and present balance-of-payments problems. The mission had been impressed by Minister Delfim Neto's capable and competent team and the country's general optimism and sense of destiny. Everybody was concerned about poverty. At present, 6% of GDP went into credit and consumer price subsidies; Minister Delfim Neto expected a bumper crop for next year and would then start to dismantle these subsidies in the agricultural sector. Finally, it was encouraging that the President was concerned about and willing to address the population problem. In the case of Ecuador, the petroleum sector had helped the country but had been neglected in the recent past. The Government was heavily subsidizing the middle classes. The economic team, consisting mainly of young and inexperienced politicians, was not yet well coordinated.

Mr. McNamara said that he had been impressed by the credit given by both countries to the Bank for moving them towards income distribution and poverty programs. In the case of Brazil, 11 years ago nobody had mentioned poverty programs and the need for improving income distribution. Now the President had stated that they would simultaneously move on growth, distribution and political liberalization. Also, this time everybody had been in favor of population planning, whereas 10 years ago there was strong opposition by Government. The country's potential was enormous as illustrated by the mineral resources potential of the Caraja's mountain range in the Amazon. In the case of Ecuador, the Government had not yet sorted out its development priorities. Finally, he reported that the Brazilian Government had agreed to increase its contribution to IDA VI from the already agreed $20 million to $50 million. In his view, this decision reflected the Government's respect for the Bank rather than its belief in Brazil's role of financing the poorer LDCs.

Administrative Tribunal

In response to a question, Mr. Paijmans reported that there would be another informal meeting with EDs on the establishment of an Administrative Tribunal on November 29. Mr. McNamara asked Mr. Paijmans to circulate the paper giving the Staff Association's views on the Administrative Tribunal to the PC.

Tax Reimbursement Formula

Mr. Paijmans pointed to the serious problems resulting from the divergent positions of the managements and Staff Associations of the Bank and the Fund. Mr. McNamara said that the tax reimbursement formula presented complex technical and legal problems. Among the major issues were symmetry with outside comparators and protection for U.S. employees who paid more in taxes than they received from the Bank under the reimbursement formula.

CKW
November 21, 1979

OFFICE OF THE PRESIDENT

822/6/24

President's Council Meeting, November 26, 1979

Present: Messrs. McNamara, Barletta, Baum, Benjenk, Chadenet, Chaufournier, Chenery, Clark, Gabriel, Picciotto, Husain, Nurick, Paijmans, Qureshi, Rotberg, Stern, Wapenhans, Weiner, Mrs. Han Clarke

Mr. Qureshi's Visit to Germany

Mr. Qureshi reported that he was leaving for Germany tomorrow in order to give a speech before the annual meeting of the German Federation of Industries and to pay a brief visit to Government officials in Bonn.

Press Report

It was decided to adopt the new format press report, whose daily edition would be called Development News--Daily Summary and whose weekly edition would be called Development News--Weekly Supplement. The Change would be introduced by a letter from Mr. Clark to the present recipients. In the future, only one copy would be sent to each recipient. Distribution among the staff would not be changed.

Paris Meeting

Mr. Stern reported on last week's meeting of four Bank Vice Presidents with several hundred French businessmen, managers of state enterprises, etc., in Paris. The meeting had been arranged at the invitation of the French Minister of Economy, Mr. Monory. Contrary to initial expectations, the conference had turned out to be very successful. Six working groups had been formed on the following issues: (i) consultants, (ii) cofinancing, (iii) urban development, (iv) rural development, (v) energy development, and (vi) education and training. The French participants were well prepared and had endorsed the Bank's activities in the six areas. At the end of the meeting, Minister Monory had given a fulsome endorsement of the Bank which had been the best ever received from any government. The French ED and his Alternate had been very gratified. Such meetings should be considered a worthwhile approach for the Bank's dealings with several other capital-supplying countries.

Mr. McNamara concluded that about one such meeting per year should be organized. Canada, Japan and Switzerland could be candidates for future meetings which were an excellent vehicle for gaining support for the institution. Mr. Baum pointed to the fact that one of the reasons for the success of the Paris meeting had been that it had come about at French initiative. Mr. McNamara agreed that the initiative for such meetings should come from the country concerned but that the Bank could stimulate such initiatives.

Energy Meeting with Mr. Maurice Strong

Mr. Stern reported on Mr. McNamara's meeting last week with Mr. Maurice Strong and his associates on their new venture in the energy field. This new forum was dedicated to petroleum and gas activities in LDCs and so far had three shareholders, including Mr. Strong's group and Volvo of Sweden. Initial capital contributions amounted to $10 million. Mr. Strong had collected high talent through the associates he had hired, including high-level experts from Algeria, Venezuela and Exxon. On contract with LDC governments, the group would put together packages attractive for oil companies to come in with exploration and development activities. The firm's front-end outlays would range from $.5 to $1 million per country. In his view, the company was unique in that it was willing to undertake this kind of front-end investment with its capital at risk. As Mr. Strong had stated, they would start with the more difficult areas in LDCs; he (Mr. Stern) had tried to dissuade them because, as a new undertaking, they had to aim at early success.

Mr. McNamara observed that Mr. Strong's group was of interest to the Bank because the Bank had not gone far yet in exploration financing. The group specialized in identifying exploration opportunities and it would be reimbursed for its front-end outlays if it were successful in putting together a consortium. If the consortium in turn carried out successful exploration activities, royalties would be paid to the group. In his view, the group provided a much needed entrepreneurial function in the field of energy development in LDCs.

Iran

Mr. Stern reported that the Government of Iran had announced last Friday that it would not repay its foreign debt; later that statement had been restricted to Iran's debt with commercial banks. The U.S. Treasury had called the Bank to enquire about the Bank's reaction. In response to a question, Mr. Rotberg said that the Bank owed Iran $415 million and Iran owed the Bank $715 million, leaving a net of $300 million. Mr. Stern added that, because of the different maturity structures of these two amounts, the annual net payments would probably be about the same. Mr. Rotberg said that he had received a cable from Iran this morning which was not clear in terms of the position taken by the Government. Mr. McNamara said that, if the cable were not clear, the Bank should interpret it favorably from its point of view. In response to a question by Mr. Clark, Mr. Rotberg said that, in answering reporters' questions, the Bank statement should simply be that Iran owed the Bank money and the Bank owed Iran money. Mr. McNamara agreed; the Bank should avoid giving more specific information to the press and should not give a crisis interpretation.

Mr. McNamara said that lately he had been uneasy about service payments by Bank borrowers, particularly the Sudan. The Regional Vice Presidents had to be very sensitive to the issue and the Bank had to insist that its loans be serviced without delays.

DAC High-Level Meeting

Mr. Stern reported on his participation in the DAC high-level meeting in Paris. It had not been a very vigorous event and, in his view, the organization no longer had a promising future. Many ministers did not attend the meeting and the discussion focused on broad North-South issues rather than ODA. The Bank had presented DPS projections on the increase of the balance-of-payments deficits of the poorest LDCs which were much larger than the increase in ODA and would lead to pressure on those governments to reduce their investment programs. However, no constructive reactions had been received at the DAC meeting and a solution was not in sight.

Mr. McNamara emphasized that the Bank should publicize more widely the impact of recent energy and economic developments on the low-income LDCs. He was shocked by the extent of ODA still going to the higher-income LDCs. Also, in his view, a likely economic recovery in the OECD nations in 1982/83 might lead to serious problems of financing the deficits of the MICs.

India

In response to a question by Mr. McNamara, Mr. Picciotto reported on India's economic situation and prospects which he called rather disturbing. The drought would pull the country's grain reserves down by about 40% but had not yet had any impact on food prices. Fertilizer use had not gone up. Power shortages persisted. Mr. Stern added that the Government's estimated crop of 120 million tons would be a very good achievement in view of the drought. The drought had seriously affected power supply and the transport sector because of the cross-haulage of foods.

CKW
November 28, 1979

Record Removal Notice

File Title	Barcode No.
Records of President Robert S. McNamara President's Council minutes - Minutes 19	1770832

Document Date	Document Type
December 5, 1979	Minutes

Correspondents / Participants

Subject / Title
Office of the President - President's Council Meeting, December 3, 1979.

Exception(s)
Prerogative to Restrict

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn by	Date
Shiri Alon	27-Feb-17

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
Records of President Robert S. McNamara President's Council minutes - Minutes 19	1770832

Document Date	Document Type
December 13, 1979	Minutes

Correspondents / Participants

Subject / Title

Office of the President - President's Council Meeting, December 10, 1979.

Exception(s)

Prerogative to Restrict

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn by	Date
Shiri Alon	27-Feb-17

OFFICE OF THE PRESIDENT

822/6/27

President's Council Meeting, December 17, 1979

Present: Messrs. McNamara, Cargill, Barletta, Baum, Bart, Chadenet, de la Renaudiere, Chenery, Clark, Damry, Gabriel, Hopper, Husain, Nurick, Paijmans, Qureshi, Rotberg, Stern, Kraske, Weiner, Pollan, Mrs. Francesca Stone

Status of Women in the Bank

The meeting discussed the report of the Staff Association's Status of Women Working Group, dated October 1979.

Mr. Paijmans said that, although some of the figures contained in the report were inaccurate and misleading, the basic point was very clear: women were doing extremely poorly in the Bank, even in areas where women professionals were available in large numbers. Of 15,000 applications received by the Bank per year, 85% were from males. The immediate survival rate was then about the same, namely, 3.2%; however, at the interviewing stage, 75% of the female applicants were interviewed for Programs and DPS and only 10% for Projects. Of those interviewed, 40% of the males were offered, compared to only 20% of females. On the other hand, 83% of males accepted the offers made, compared to an only 68% acceptance ratio in the case of females. He concluded that equal opportunity did not rank very high in the minds of Bank staff and that, given the choice, managers tended to appoint in their own image. This attitude spilled over into career development; the most demanding assignments were given to men. He warned that the Bank's image in the outside world was not good on the issue and that women's groups would become increasingly vocal. He recommended that Personnel not initiate an affirmative action program but launch a program of educating and sensitizing line managers. As a first concrete step, in the future those cases, where, for no good reason, the male rather than the female applicant was chosen, would be raised to the senior management level.

Mr. Baum enquired about the performance of the YP Program in hiring women. Mr. Paijmans replied that, contrary to the misleading information contained in the Staff Association's report, the Program was doing very well, with a women-participation rate of 35% this year. This demonstrated that the Bank's performance could be improved in spite of a highly competitive selection process, with tough and objective criteria.

Mr. Husain enquired about the percentage of women recruited from Part II countries. Mr. Paijmans replied that 25% were Part II nationals. Mr. McNamara added that the Bank had to accept that a higher percentage of women was being hired from Part I countries than in the case of males.

Mr. Stern pointed to the fact that the EMENA and LAC Regions were doing particularly poorly in employing women. Mr. McNamara said that the facts certainly did not warrant the attitude that the work in some Regions did not allow for the employment of women.

In concluding the discussion, Mr. McNamara made the following points:

(a) the data base had to be improved considerably; in particular, the data on women participation had to be disaggregated by function;

(b) the Bank should then set recruitment plans for females by function; in view of the fact that the institution had not been sensitive enough to the problem in the past, there was need to go out and "look affirmatively for women";

(c) in view of the fact that under the present cultural pattern women still tended to follow their husbands in moving into or from the Washington area, the Bank should consider acting cooperatively with other major area employers--e.g., the IMF, OAS and MITRE--on offering employment to both spouses;

(d) those cases where (contrary to present policy) a Region had good reasons for offering employment to both spouses should be raised to the level of Mr. Stern or Mr. McNamara; and

(e) Mr. Paijmans should assign a senior person to the work on women in the Bank and give a progress report to the PC every six months.

IDA VI

Mr. Cargill reported that basically the IDA VI replenishment negotiations had been concluded in Paris last week at a replenishment level of $12 billion starting July 1, 1980. Firm pledges had been received for $12 billion minus $360 million; pledges were still outstanding in the cases of Saudi Arabia, Kuwait and Romania. The Deputies of both Saudi Arabia and Kuwait had indicated that they would make their pledges; he had pointed out to them that there was a January 1 deadline because the resolution was to be discussed by the Board on January 22. The Romanian situation was rather confused; however, the Romanian representatives had indicated that they would pledge something. In his opinion, Saudi Arabia and Kuwait would probably pledge their IDA V shares as originally pledged, i.e., their calculation would not consider their later additional contributions to IDA V. For example, Saudi Arabia would base its pledge on $250 million contributed to IDA V. The Federal Republic of Germany had increased its share by 0.5% to 12.5% and Japan, in order to reach cumulative parity with Germany, had increased its share to 14.6%. Among the new Part II donors, in particular Brazil had to be mentioned with its contribution of $50 million. Mr. Nurick added that the Saudis had actually made a pledge over 3.25%. He emphasized that the Paris meeting had concluded in a very relieved atmosphere with complimentary statements being made on Mr. Cargill's skillful direction of the negotiations.

Brandt Commission

Mr. Clark reported that the Brandt commission, at its final meeting over the past weekend at Leeds Castle in the UK, had arrived at a unanimous report. Willy Brandt had given a press conference this morning. The full report was to be handed to Secretary-General Waldheim on February 8 and Mr. McNamara would also be sent a copy at that time. It would be published in March. Because the press conference coincided with the first day of the OPEC Ministers' meeting in Caracas, Willy Brandt had been hedging on the issue of energy; however, action proposals would be contained in the report. The idea of a World Development Fund was not among the recommendations of the report; the report simply stated that this issue should be considered for the future, arguing that such a fund might become necessary because the resources originating from the proposed world tax system would have to be administered by a more universal financial system with a UN-type voting pattern. The report gave a good deal of tribute to the Bank and recommended that the Bank consider (i) regionalization of its activities, (ii) an increase in the number of Part II nationals among its senior managers and (iii) a review of the present voting structure. Apparently the report's disarmament ideas had not been well received at today's press conference; in general, the press seemed to have expected more exciting proposals. He concluded by pointing to the remarkable fact that the report had been signed by North and South representatives; this was being attributed to the joint efforts of Messrs. Heath and

Ramphal. For the coming months, he expected a drive from Part I countries to implement the recommendations. As an example, he pointed to the recent SPD Party Congress in Berlin where Willy Brandt had obtained a majority vote--against the position of Messrs. Matthoefer and Offergeld--in favor of reaching the 0.7% aid target by 1985. Mr. Heath would mount a major effort to convince his party in the UK to fight for implementation of the Report's recommendations.

Press Clips

Mr. Clark reported that, at last week's discussion of the Annual Report, several EDs had mentioned that, although they were pleased with the early delivery of the clips under the new system, they would prefer to revert to the old system in terms of receiving newsclips on a day-by-day basis instead of being sent a bunch at the end of the week. Mr. McNamara decided that management should hold to the recently introduced pattern and give it a six-month trial.

Seminar on Staff Tax Liabilities Paper

Mr. McNamara said that a number of EDs had requested a seminar on the paper on Tax Liabilities of Bank Staff which would be discussed by the Board on January 3. Inasmuch as this was a difficult subject for the Directors to understand, the seminar should be organized under Mr. Paijman's chairmanship this week.

Christmas Holiday Plans

It was confirmed that the Bank would be closed on Monday, December 24, and on Monday, December 31.

Frank Vogl's Critique of the Bank

Mr. McNamara asked Mr. Weiner to meet with Mr. Vogl in order to discuss OED's project performance audit results and to find out about the criteria used in his critical assessment of the Bank's project performance in the London Times.

Operations Evaluation and Other International Organizations

Mr. Weiner reported on his meetings with the heads of WHO and ILO in Geneva; they had been most interested in the Bank's evaluation system and had explicitly requested that their organizations become involved in Bank project evaluation work. In response to a question by Mr. McNamara, Mr. Weiner said that the IDB's evaluation reports were not presented to the IDB Board; only certain process evaluations were undertaken for the Board. Mr. Husain said that, in the case of the ADB, the Board took great interest in project evaluations and spent a great deal of time in discussing them.

Mr. McNamara asked Mr. Weiner for a note on the project evaluation systems of ADB and IDB. In his view, Mr. Vogl had no base for the value judgments contained in his critical article because other institutions were not doing what the Bank did. One had to realize that his critique had led to a devastating series of attacks in other papers.

Iran

Mr. Rotberg reported that the Bank and the Government of Iran had now established a system for continuing to make and receive payments. There were at present no arrears. Mr. McNamara said that he would mention this tomorrow to the Board.

IBRD General Capital Increase

Mr. McNamara asked Messrs. Qureshi and Damry to try to get the Belgian and Japanese GCI votes this week.

CKW
December 20, 1979